SASKENERGY INCORPORATED
AND
SUBSIDIARIES

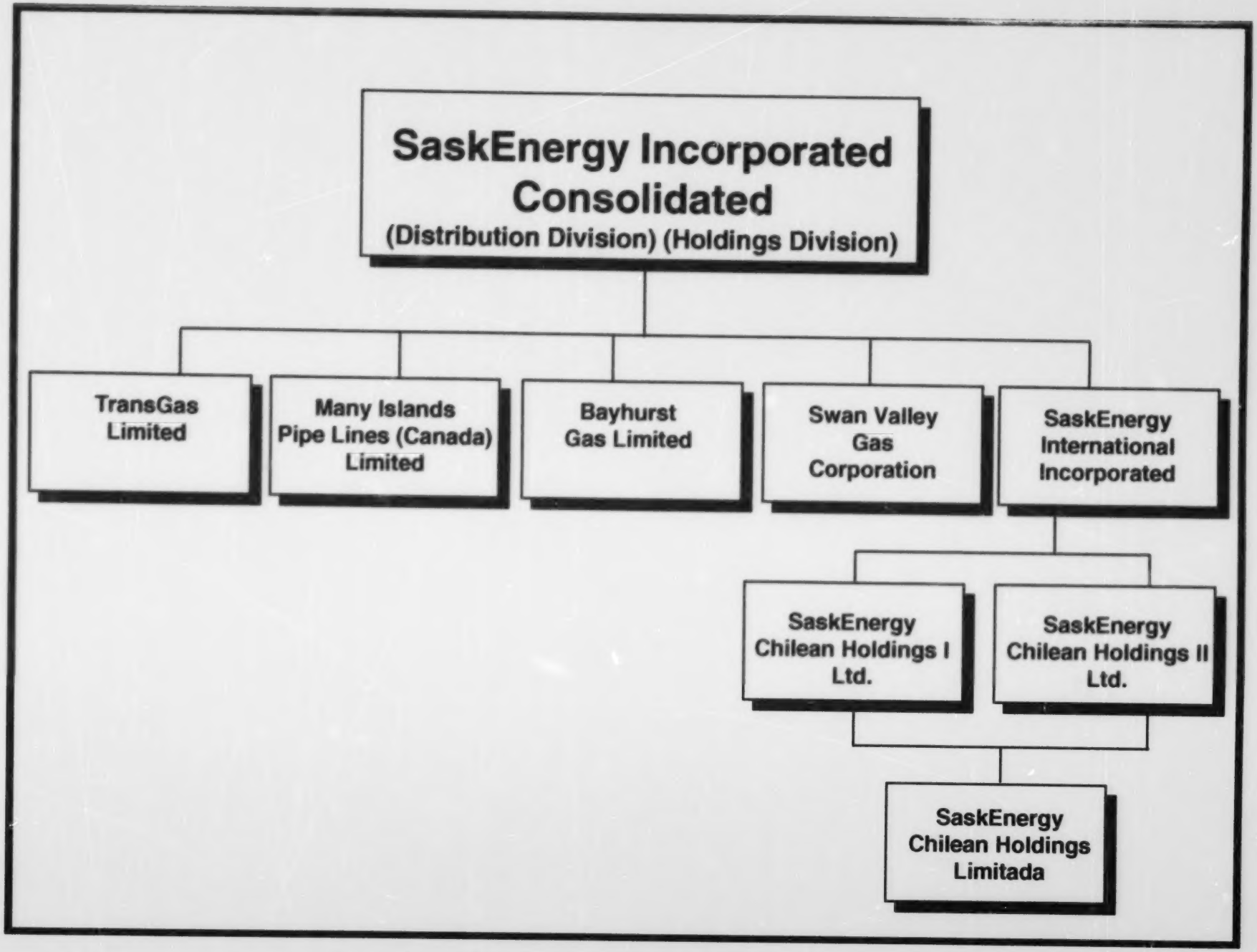
FINANCIAL STATEMENTS

December 31, 2000

101-04067/

SASKENERGY INCORPORATED AND SUBSIDIARIES
FINANCIAL STATEMENTS
INDEX

1. SaskEnergy Incorporated – Consolidated
2. SaskEnergy Incorporated – Distribution Division
3. SaskEnergy Incorporated – Holdings Division
4. TransGas Limited
5. Many Islands Pipe Lines (Canada) Limited
6. Bayhurst Gas Limited
7. Swan Valley Gas Corporation
8. SaskEnergy International Incorporated
9. SaskEnergy Chilean Holdings I Ltd.
10. SaskEnergy Chilean Holdings II Ltd.
11. SaskEnergy Chilean Holdings Limitada


SaskEnergy Incorporated
Consolidated
(Distribution Division) (Holdings Division)
TransGas Limited
Many Islands Pipe Lines (Canada) Limited
Bayhurst Gas Limited
Swan Valley Gas Corporation
SaskEnergy International Incorporated
SaskEnergy Chilean Holdings I Ltd.
SaskEnergy Chilean Holdings II Ltd.
SaskEnergy Chilean Holdings Limitada

SASKENERGY INCORPORATED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2000

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the consolidated statement of financial position of SaskEnergy Incorporated as at December 31, 2000 and the consolidated statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Regina, Canada
February 5, 2001

Chartered Accountants

ERNST & YOUNG

SASKENERGY INCORPORATED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

	Note	2000	1999
		(thousands)	
ASSETS			
CURRENT ASSETS			
Cash		$ 1,176	$ -
Accounts receivable		152,874	79,412
Natural gas in storage	3	37,431	49,684
Inventories of supplies		5,057	6,403
		196,538	135,499
GAS COST VARIANCE ACCOUNT	4	26,068	7,542
NATURAL GAS IN STORAGE	3	32,249	38,781
CAPITAL ASSETS	5	1,010,476	1,000,112
LONG TERM INVESTMENT	6	7,493	5,027
DEFERRED CHARGES	7	7,840	2,412
TOTAL ASSETS		$ 1,280,664	$ 1,189,373
LIABILITIES AND PROVINCE'S EQUITY			
CURRENT LIABILITIES			
Bank indebtedness		$ -	$ 2,020
Short term indebtedness	8	-	38,800
Accounts payable		153,169	75,885
Dividend payable		7,410	7,474
Current portion of long term debt	8	50,000	-
		210,579	124,179
CUSTOMER CAPITAL CONTRIBUTIONS	9	94,716	85,509
LONG TERM DEBT	8	667,492	691,832
TOTAL LIABILITIES		972,787	901,520
PROVINCE OF SASKATCHEWAN'S EQUITY			
Equity advances	10	71,531	71,531
Retained earnings		236,346	216,322
TOTAL EQUITY		307,877	287,853
		$ 1,280,664	$ 1,189,373
COMMITMENTS & CONTINGENCIES	11,6		

(See accompanying notes)

On behalf of the Board:

_____, Director

_____, Director

SASKENERGY INCORPORATED

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31

	Note	2000	1999
		(thousands)	
REVENUE			
Distribution		$ 417,807	$ 318,358
Cost of gas sold		232,153	147,512
Distribution margin		185,654	170,846
Transportation and storage		73,507	75,915
Net sales from gas brokering	12	17,509	12,830
Other		9,061	6,713
Net revenue		285,731	266,304
EXPENSES			
Operating and maintenance		99,581	95,042
Interest	8	66,630	66,911
Amortization of capital assets		46,914	45,271
Saskatchewan taxes and royalties	13	28,182	22,482
Total expenses		241,307	229,706
Net earnings		44,424	36,598
Retained earnings, beginning of year		216,322	199,853
Dividend		(24,400)	(20,129)
Retained earnings, end of year		$ 236,346	$ 216,322

(See accompanying notes)

SASKENERGY INCORPORATED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

	Note	2000	1999
		(thousands)	
OPERATING ACTIVITIES			
Net earnings		$ 44,424	$ 36,598
Add (deduct) items not requiring an outlay of cash			
Amortization of capital assets		46,914	45,271
Amortization of customer capital contributions		(2,354)	(2,023)
Other non-cash items		2,456	1,086
		91,440	80,932
Net change in non-cash working capital related to operations	13	(1,105)	(15,628)
Cash provided by operating activities		90,335	65,304
INVESTING ACTIVITIES			
Additions to capital assets		(57,342)	(61,293)
Customer capital contributions received		11,561	11,709
Decrease in natural gas in storage (non-current)		6,532	5,288
Long term investment		(2,466)	(5,027)
(Additions to) deductions from deferred charges		(5,428)	36
Cash used in investing activities		(47,143)	(49,287)
FINANCING ACTIVITIES			
Decrease in short term indebtedness		(38,800)	(18,000)
Increase in long term debt		25,660	16,839
Dividend paid		(24,464)	(17,598)
Cash used in financing activities		(39,996)	(18,759)
INCREASE (DECREASE) IN CASH during year		3,196	(2,742)
CASH POSITION, beginning of year		(2,020)	722
CASH POSITION, end of year		$ 1,176	$ (2,020)

Cash position consists of cash less bank indebtedness.

(See accompanying notes)

SASKENERGY INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2000

1. STATUS OF THE CORPORATION

SaskEnergy Incorporated (SaskEnergy) is a Saskatchewan provincial Crown corporation operating under authority of **The SaskEnergy Act**. SaskEnergy transports, stores and distributes natural gas in Saskatchewan.

By virtue of **The Crown Corporations Act, 1993**, SaskEnergy has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan, a provincial Crown corporation. Accordingly, the financial results of SaskEnergy are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan.

As a provincial Crown corporation, SaskEnergy and its wholly-owned subsidiaries are not subject to Federal or Provincial income taxes in Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada applied on a consistent basis and include certain estimates based on management's judgment. These estimates affect the reported amounts of assets, liabilities, revenue and expenses. The following accounting policies are considered to be significant:

a. Principles of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, TransGas Limited, Bayhurst Gas Limited, Many Islands Pipe Lines (Canada) Limited, SaskEnergy International Incorporated, Swan Valley Gas Corporation, SaskEnergy Chilean Holdings I Ltd. and SaskEnergy Chilean Holdings II Ltd. In addition, the accounts also include the Corporation's 100 per cent ownership interest in SaskEnergy Chilean Holdings Limitada – a Chilean limited partnership. Separate audited financial statements are prepared for each of these entities.

b. Inventories of supplies

Inventories of supplies consist primarily of pipe and general stock for construction and maintenance and are recorded at the lower of average cost or replacement cost.

c. Natural gas in storage

Natural gas in storage is stated at the lower of cost or net realizable value.

d. Capital assets

Capital assets are stated at cost and include all direct costs plus overhead charges and an allowance for interest costs related to financing construction of the related assets.

The costs of renewals and betterments which extend the economic useful life of assets are capitalized.

Retirement or sale of a major capital asset, or class of capital assets, is accounted for by relieving the asset accounts of the associated cost and accumulated amortization. The difference between the proceeds and the net book value of the assets disposed is included in income for the current period.

Other retirements of capital assets are recorded by reducing the asset account by the cost of the asset and charging this amount, net of proceeds received, to accumulated amortization.

Amortization expense is calculated on a straight-line basis over the estimated service life of the asset. The amortization rates are as follows: (in per cent)

Transmission and storage	2.5 to 2.6
Distribution	2.5 to 3.5
Gathering, treatment and compression	2.5 to 3.5
Vehicles, equipment and other	2.5 to 50.0

The royalty interest in certain natural gas wells is amortized on the unit of production method.

e. Customer capital contributions

Customer capital contributions relate to construction of new service connections. These contributions from customers are amortized on a straight-line basis over the estimated service life of the related asset.

f. Revenue recognition

Distribution revenue is recognized when natural gas is delivered to customers. An estimate of gas delivered, but not billed, is included in revenue.

Transportation and storage revenue is recognized when transportation, transportation related services and storage are provided to customers. An estimate of transportation, storage revenue and related services rendered, but not billed, is included in revenue.

g. Cost of gas sold

Cost of gas sold is recorded based on the forecast cost of natural gas included in customer rates as recommended by the Saskatchewan Rate Review Panel (SRRP). The differences between the recorded cost of gas sold and costs actually incurred are deferred and accumulated in a Gas Cost Variance Account (GCVA). The actual cost of gas can differ from the forecast primarily due to natural gas market price variations from forecast caused by warmer or colder than normal winter weather. The balance in the GCVA is subsequently refunded to or collected from customers through inclusion in future rates as recommended by the SRRP.

h. Long term investment

The corporation accounts for its investment in Gas Sur S.A. by the cost method.

i. Deferred charges

Effective January 1, 2000, the cost of future benefits earned by employees is actuarially determined using the projected benefit method and management's best estimates. Past service costs are amortized on a straight-line basis over the average remaining service period of active employees.

3. NATURAL GAS IN STORAGE

a. Natural gas in storage classified as a current asset has been purchased for the purpose of resale.

b. Natural gas in storage classified as a non-current asset is located within the Corporation's various storage facilities and is required for the ongoing operations of the storage facilities.

c. The Corporation has natural gas reserves that are fully amortized. A portion of these reserves were sold in 2000.

4. GAS COST VARIANCE ACCOUNT

The Saskatchewan Rate Review Panel recommended that SaskEnergy establish a Gas Cost Variance Account (GVA) to accumulate differences between forecast and actual gas commodity costs, and that if, at March 31, 2001, the GVA balance exceeds $20 million (surplus or deficit), SaskEnergy be allowed to apply for a rate change. The GVA, as at December 31, includes natural gas costs to be recovered from customers as follows:

	2000	1999
	(thousands)	
Balance, beginning of year	$ 7,542	$ -
Increases		
Higher than forecast natural gas purchase prices	17,571	280
Retail rate increase delay	12,327	4,641
Other	(6,386)	3,124
		-
Recovered in rates charged to customers	(4,986)	(503)
Balance, end of year	$ 26,068	$ 7,542

5. CAPITAL ASSETS

	2000			1999		
	(thousands)					
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Transmission and storage	$ 547,551	$117,172	$ 430,379	$ 533,257	$102,670	$ 430,587
Distribution	520,306	111,702	408,604	497,369	97,807	399,562
Gathering, treatment and compression	149,820	43,089	106,731	145,281	37,640	107,641
Vehicles, equipment and other	110,820	49,724	61,096	99,523	42,507	57,016
Royalty interest	6,831	5,905	926	6,831	5,005	1,826
Construction in progress	2,740	-	2,740	3,480	-	3,480
	$1,338,068	$327,592	$1,010,476	$1,285,741	$285,629	$1,000,112

The composite amortization rate was 3.57 per cent during 2000 (3.56 per cent during 1999).

6. LONG-TERM INVESTMENT

By Order-In-Council 735/1998 dated December 9, 1998, the Corporation received approval to proceed with an investment in Gas Sur S.A., a natural gas distribution company in Chile. To facilitate this investment, the Corporation created two wholly-owned Canadian subsidiaries and a Chilean limited partnership.

The Corporation, through SaskEnergy International Incorporated, the two Canadian subsidiaries and the Chilean limited partnership agreed to purchase a 15 per cent ownership interest (452 shares) in Gas Sur S.A. for $4,800 thousand U.S.

By virtue of the Shareholders Agreement of Gas Sur S.A., the Corporation committed to make the investment through three equal advances of $1,600 thousand U.S. on January 14, 1999, July 30, 1999 and July 30, 2000. The Canadian dollar equivalent of the investment to date is $7,493 thousand.

In addition, the Corporation has entered into a Technical Advisors Agreement whereby the Corporation will provide technical consulting services to Gas Sur S.A. on a fee for service basis.

In conjunction with the investment, the Corporation has granted a guarantee for the specific purpose of underwriting the subscription payment obligation of the Chilean limited partnership. The guarantee is expressly limited to $5,000 thousand U.S.

7. DEFERRED CHARGES

Deferred charges include the following:

	2000	1999
	(thousands)	
Unamortized past service costs	$ 5,728	$ -
Unamortized debt costs	2,112	2,412
	$ 7,840	$ 2,412

8. LONG-TERM DEBT

Years to Maturity	2000 Principal Outstanding (thousands)	2000 Average Fixed Interest Rate (per cent)	1999 Principal Outstanding (thousands)	1999 Average Fixed Interest Rate (per cent)
Province of Saskatchewan				
1 - 5	$ 404,586	11.1	$303,391	12.0
6 - 10	228,563	8.1	329,758	8.2
16 - 30	133,971	7.7	100,000	8.0
	767,120		733,149	
Less sinking fund equity	54,444		46,133	
Less due within one year	50,000		-	
Due to Province of Saskatchewan	662,676		687,016	
Other	4,816	13.5	4,816	13.5
Total long-term debt	$ 667,492		$691,832	

a. Sinking funds

Under conditions attached to certain advances from the Province of Saskatchewan's General Revenue Fund, SaskEnergy is required to pay annual installments equal to one per cent of outstanding debt into sinking funds. These sinking funds are administered by the Province of Saskatchewan's Department of Finance. The investments held in these sinking funds are primarily Province of Saskatchewan debt instruments. The yield on these investments was 6.79 per cent for 2000 (9.06 per cent 1999).

b. Maturity dates

Maturity dates are equivalent to interest rate repricing dates.

c. Short-term indebtedness

During 2000, the Corporation borrowed funds on a short term basis from the Province of Saskatchewan's General Revenue Fund at an average interest rate of 5.2 per cent.

There was no short term indebtedness at December 31, 2000 (1999 - $38,800 thousand) that was due to the Province of Saskatchewan's General Revenue Fund.

d. Principal repayments

Principal repayments and sinking fund installments due in each of the next five years are as follows: (thousands)

	2001	2002	2003	2004	2005
Principal	$50,000	$ -	$222,934	$ 30,457	$101,195
Sinking fund installments	4,869	4,869	2,640	2,640	1,890
	$54,869	$ 4,869	$225,574	$ 33,097	$103,085

e. Interest expense

Interest expense was as follows:

	2000	1999
	(thousands)	
Interest on long-term debt	$ 73,880	$ 72,265
Interest on bank indebtedness	(1,022)	382
Interest capitalized	(2,787)	(1,856)
Sinking fund earnings	(3,441)	(3,880)
	$ 66,630	$ 66,911

Cash interest paid during 2000 on long term debt was $73,103 thousand.

9. CUSTOMER CAPITAL CONTRIBUTIONS

Contributions are received from customers to aid in construction of customer specific facilities in accordance with established business policies.

	2000	1999
	(thousands)	
Balance, beginning of year	$ 85,509	$ 75,823
Contributions received	11,561	11,709
Contributions amortized	(2,354)	(2,023)
Balance, end of year	$ 94,716	$ 85,509

10. EQUITY ADVANCES

The Corporation does not have share capital. However, the Corporation has received advances from Crown Investments Corporation of Saskatchewan (CIC) to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

11. COMMITMENTS

➢ FINANCIAL INSTRUMENTS

The Corporation engages in hedging activities through the use of financial derivatives. A Corporate Derivatives Policy and specific hedging strategies establish the guidelines within which derivatives may be used by the Corporation. The Corporation utilizes a variety of off-balance sheet financial instruments to manage its exposure to interest rate, foreign exchange rate and natural gas price risk. These instruments are only used to hedge underlying assets, liabilities or anticipated future transactions.

a. Hedging transactions

The Corporation purchases natural gas for the purpose of resale. Approximately 68 per cent (1999 – 68 per cent) of annual purchases are made under long term contracts with natural gas suppliers. These contracts are subject to annual price renegotiation. Prices may be fixed for a one-year period or referenced to a floating index price. In order to manage price volatility, hedges are used to fix gas prices with respect to underlying physical gas supply contracts. Natural gas purchase prices are hedged by using financial instruments.

As at December 31, the Corporation has entered into natural gas price swap contracts with counterparties to effectively manage an annually predetermined portion of its forecast system gas supply. The Corporation's hedging tools also include option and basis contracts with counterparties and futures contracts traded on the New York Mercantile Exchange. For those hedges denominated in United States dollars, the Corporation hedges against its foreign exchange risk through the use of Forward Contracts.

Amounts received or paid resulting from settlement of gas price hedging transactions are recognized as a component of the cost of gas sold.

The Corporation is exposed to possible credit losses in the event of non-performance by counterparties to natural gas price swap and option contracts. The Corporation mitigates this credit risk by:

i. utilizing only counterparties with an A credit rating or better for at least 75 per cent of notional volumes purchased and Baa rated counterparties to hedge up to 25 per cent of gas purchase volumes provided such hedges do not extend beyond 9 months from the transaction date; and

ii. limiting the notional gas volumes hedged to a maximum of 25 per cent with any one counterparty.

During 2000, the Corporation entered into transactions with 12 different counterparties. The Corporation expects all swap and option obligations to be met.

The Corporation has entered into a number of forward start interest rate swaps to hedge its exposure to interest rate repricing on debt maturing between 2001 and 2003. The weighted average interest rate on these swaps is 6.76 per cent on a notional principal of $130 million. The interest rate on this debt was 12.25 per cent in 2000 (12.25 per cent - 1999).

The Corporation is planning a divestiture of natural gas from a non-operational storage facility and has entered into forward sales agreements over a three year period totaling $54.9 million.

b. Fair value of financial instruments

The fair value of the Corporation's financial instruments is listed below:

	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(thousands)			
Long-term debt	$ 771,936	$ 852,872	$ 737,965	$ 812,619
Sinking fund equity	54,443	56,402	46,133	45,780
Natural gas price hedges:				
- swaps	-	89,385	-	(6,606)
- options	7	39,099	(1,433)	1,087
- futures	-	-	(1,025)	(59)
Foreign exchange				
- forward contracts	-	-	-	(1,045)
Interest rate hedges				
- delayed swaps	-	(8,200)	-	500

The fair values of the above instruments were based on the following:

i. Long-term debt - The present value of future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.
ii. Sinking fund equity - The market value of the investments held in the sinking fund as at December 31, 2000.
iii. Natural gas price swaps - The relevant index price in effect on December 31, 2000.
iv. Natural gas price options - The relevant index price in effect on December 31, 2000.
v. Natural gas futures contracts - The closing quotation from the New York Mercantile Exchange on December 31, 2000.
vi. Foreign exchange forward contracts - The Bank of Canada exchange rate on December 31, 2000.

vii. Interest rate hedges - Closing quotations from the counterparty as to the amount to settle the contract on December 31, 2000.

The carrying values of other financial instruments (cash, accounts receivable, accounts payable, short term indebtedness and bank indebtedness) approximate fair value.

c. Credit risk

The Corporation provides credit to its customers in the normal course of business. The Corporation has over 320,000 customers and does not have a significant credit exposure to any individual customer. For 2000, credit losses were one fifth of one per cent of total revenue.

➢ **LEASES**

The Corporation leases natural gas storage facilities near Regina, Saskatchewan. The annual base lease payments are as follows: (thousands)

2001	2002	2003	2004	2005	Thereafter	Total
$495	$542	$556	$570	$584	$3,480	$6,227

12. NET SALES FROM GAS BROKERING

Net sales from gas brokering includes the following:

	2000	1999
	(thousands)	
Competitive gas sales	$227,421	$143,801
Cost of gas	209,912	130,971
Margin	$ 17,509	$ 12,830

13. SASKATCHEWAN TAXES AND ROYALTIES

Saskatchewan taxes and royalties include the following:

	2000	1999
	(thousands)	
Payments to municipalities	$ 18,125	$ 14,225
Royalties	4,700	2,759
Corporate Capital Tax	4,541	4,673
Mitigation payments and property taxes	816	825
	$ 28,182	$ 22,482

The above amounts do not include Saskatchewan Education and Health Tax payments.

14. NET CHANGE IN NON-CASH WORKING CAPITAL

	2000	1999
	(thousands)	
Accounts payable	$ 77,284	$ (4,567)
Accounts receivable	(73,462)	2,921
Gas Cost Variance Account	(18,526)	(7,542)
Natural gas in storage - current	12,253	(5,530)
Inventories of supplies	1,346	(910)
	$ (1,105)	$ (15,628)

15. RELATED PARTY TRANSACTIONS

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Routine operating transactions with these related parties are settled at exchange amounts which approximate prevailing market prices under normal trade terms. Transactions during the year, and amounts outstanding at year end, are as follows:

	2000	1999
	(thousands)	
Accounts receivable	$ 1,882	$ 3,336
Accounts payable	973	1,440
Revenue	26,095	25,694
Operating expenses	24,662	23,306
Customer capital contributions	2,625	2,748

In addition, the Corporation pays Saskatchewan Education and Health Tax, to the Province of Saskatchewan's Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

16. PENSION PLANS

Substantially all employees of the corporations included in these consolidated financial statements are members of either a defined contribution or a defined benefit pension plan.

In accordance with the terms of the defined contribution plan (Public Employees Pension Plan) and the defined benefit pension plan (Power Corporation Superannuation Plan), the Corporation's obligations are limited to making regular payments to the plans to match contributions made by the employees for current services. During the year, the corporation contributed $2,334 thousand (1999 - $2,230 thousand) on behalf of employees for current services.

17. SUPPLEMENTAL FINANCIAL INFORMATION

The Corporation operates predominantly in two industry segments being natural gas distribution and natural gas transportation. The following table provides supplemental information relating to the 2000 and 1999 operating results for each major category of business (thousands).

	Transportation		Distribution		Subsidiaries	
	2000	1999	2000	1999	2000	1999
REVENUE						
Distribution	$ -	$ -	$425,525	$325,929	$ 17	$ -
Cost of gas sold	-	-	279,669	192,094	-	-
Distribution margin	-	-	145,856	133,835	17	-
Transportation and storage	133,399	140,108	-	-	4,194	3,843
Net sales from gas brokering	15,410	7,280	(263)	2,648	-	-
Other	4,808	-	-	-	4,248	3,020
Net revenue	153,617	147,388	145,593	136,483	8,459	6,863
EXPENSES						
Operating and maintenance	45,685	44,928	74,264	70,515	1,925	1,715
Interest	39,228	40,481	26,434	25,236	1,011	1,024
Amortization of capital assets	22,855	22,321	22,715	21,530	1,442	1,486
Saskatchewan taxes and royalties	12,026	8,638	15,665	13,374	492	470
Total expenses	119,794	116,368	139,078	130,655	4,870	4,695
Net earnings	$ 33,823	$31,020	$ 6,515	$ 5,828	$ 3,589	$ 2,168

The above amounts are before intercompany eliminations.

Cost of gas sold noted above does not include intercompany transportation and storage of $1,795 thousand. This amount was eliminated on consolidation.

Below is a summarized statement of financial position by business unit (thousands):

	Transportation		Distribution		Subsidiaries	
	2000	1999	2000	1999	2000	1999
ASSETS						
Current	$ 69,075	$ 38,285	$140,153	$129,159	$ 4,200	$ 1,795
Natural gas in storage	32,235	38,781	-	-	14	-
Capital assets and investment	542,307	549,462	455,488	439,149	31,316	21,131
Total assets	$643,617	$626,528	$595,641	$568,308	$ 35,530	$22,926
LIABILITIES AND PROVINCE'S EQUITY						
Current	$ 57,336	$ 23,932	$129,030	$113,819	$ 12,969	$ 6,237
Customer capital contributions	29,722	27,703	63,364	59,645	4,564	-
Long term debt	366,269	399,822	214,989	284,365	6,688	7,644
Equity	190,290	175,071	188,258	110,479	11,309	9,045
Total liabilities and equity	$643,617	$626,528	$595,641	$568,308	$ 35,530	$22,926

The above amounts are before intercompany eliminations.

The above noted columns of "Subsidiaries" combines the amounts for Many Islands Pipe Lines (Canada) Limited, SaskEnergy International Incorporated and Bayhurst Gas Limited and Swan Valley Gas Corporation.

18. SASKATCHEWAN RATE REVIEW PANEL

During 2000, The Saskatchewan Rate Review Panel was established by Minister's Order. The Panel was established to conduct a review of the Corporation's request for an increase in rates charged for natural gas commodity sales and delivery service. The review of proposed rate changes considers the interests of the consumer, the Corporation and the public. SaskEnergy applied for commodity and delivery rate increases to be effective November 1, 2000.

The Panel reviewed SaskEnergy's rate application and recommended that the natural gas commodity rate be increased effective December 1, 2000 and that the rate for delivery service not be increased.

The Saskatchewan Cabinet approved a rate change as recommended by the Panel.

19. COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform to the current year's presentation.

SASKENERGY INCORPORATED

(DISTRIBUTION DIVISION)

FINANCIAL STATEMENTS

DECEMBER 31, 2000

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of the Distribution Division of SaskEnergy Incorporated as at December 31, 2000 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Distribution Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Distribution Division as at December 31, 2000, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

The Distribution Division is a component of SaskEnergy Incorporated and has no separate legal status. Transactions with other divisions and affiliates of SaskEnergy Incorporated are described in note 3.

The financial statements for the preceding year are unaudited.

Ernst & Young LLP

Regina, Canada,
February 5, 2001.

Chartered Accountants

ERNST & YOUNG

SASKENERGY INCORPORATED

(DISTRIBUTION DIVISION)

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

(thousands)

	Note	2000	1999 (unaudited)
ASSETS			
CURRENT ASSETS			
Accounts receivable		$ 138,060	$ 68,811
Natural gas in storage		39,226	51,925
Inventories of supplies		4,715	6,019
Intercompany accounts receivable		3,981	-
		185,982	126,755
GAS COST VARIANCE ACCOUNT	4	26,068	7,542
CAPITAL ASSETS	5	450,052	437,620
DEFERRED CHARGES	6	5,436	1,529
		$ 667,538	$ 573,446
LIABILITIES AND PROVINCE'S EQUITY			
CURRENT LIABILITIES			
Bank indebtedness		$ 45,168	$ 55,641
Accounts payable		121,401	47,004
Intercompany accounts payable		13,873	13,889
Notes payable due within one year		20,485	-
		200,927	116,534
CUSTOMER CAPITAL CONTRIBUTIONS	7	63,364	59,650
NOTES PAYABLE TO HOLDINGS DIVISION	8	214,990	284,365
TOTAL LIABILITIES		479,281	460,549
PROVINCE OF SASKATCHEWAN'S EQUITY			
Equity advances	9	139,010	67,962
Retained earnings		49,247	44,935
		188,257	112,897
		$ 667,538	$ 573,446
COMMITMENTS	10		

(See accompanying notes)

On behalf of the Board:

Director

Director

SASKENERGY INCORPORATED

(DISTRIBUTION DIVISION)

STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31

(thousands)

	Note	2000	1999 (unaudited)
REVENUE			
Natural gas sales		$ 238,000	$ 150,508
Cost of gas sold		239,517	153,423
Natural gas sales margin		(1,517)	(2,915)
Delivery revenue		183,813	171,936
Other revenue	11	3,449	6,133
Net revenue		185,745	175,154
EXPENSES			
Transportation and storage		52,795	51,308
Operating and maintenance		61,621	57,878
Interest	8	26,434	25,236
Amortization of capital assets		22,715	21,530
Municipal payments and Saskatchewan taxes	12	15,665	13,374
Total expenses		179,230	169,326
Net earnings		6,515	5,828
Retained earnings, beginning of year		44,935	41,407
Dividend		(2,203)	(2,300)
Retained earnings, end of year		$ 49,247	$ 44,935

(See accompanying notes)

SASKENERGY INCORPORATED

(DISTRIBUTION DIVISION)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

(thousands)

	Note	2000	1999 (unaudited)
OPERATING ACTIVITIES			
Net earnings		$ 6,515	$ 5,828
Add (deduct) items not requiring an outlay of cash			
Amortization of capital assets		22,715	21,530
Amortization of customer capital contributions		(1,557)	(1,438)
Other non-cash items		617	153
		28,290	26,073
Net change in non-cash working capital related to operations	13	(3,372)	(23,927)
Cash provided by operating activities		24,918	2,146
INVESTING ACTIVITIES			
Net additions to capital assets		(39,671)	(40,748)
Increase in customer contributions		5,271	6,179
Cash used in investing activities		(34,400)	(34,569)
FINANCING ACTIVITIES			
Increase in notes payable to Holdings Division	9	22,158	22,119
Dividend paid		(2,203)	(3,054)
Cash provided by financing activities		19,955	19,065
DECREASE (INCREASE) IN BANK INDEBTEDNESS during year		10,473	(13,358)
BANK INDEBTEDNESS, beginning of year		(55,641)	(42,283)
BANK INDEBTEDNESS, end of year		$ (45,168)	$ (55,641)

Cash position consists of cash less bank indebtedness.

(See accompanying notes)

SASKENERGY INCORPORATED

(DISTRIBUTION DIVISION)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2000

1. STATUS OF THE CORPORATION

SaskEnergy Incorporated (SaskEnergy) is a Saskatchewan provincial Crown corporation operating under authority of **The SaskEnergy Act**.

By virtue of **The Crown Corporations Act, 1993**, SaskEnergy has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan, a provincial Crown corporation. Accordingly, the financial results of SaskEnergy are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan.

As a provincial Crown corporation, SaskEnergy and its wholly-owned subsidiaries are not subject to Federal or Provincial income taxes in Canada.

SaskEnergy is the natural gas distribution utility for the Province of Saskatchewan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada applied on a consistent basis and include certain estimates based on management's judgment. These estimates affect the reported amounts of assets, liabilities, revenue and expenses. The following accounting policies are considered to be significant:

a. Inventories of supplies

Inventories of supplies consist primarily of pipe and general stock for construction and maintenance and are recorded at average cost.

b. Natural gas in storage

Natural gas in storage is stated at the lower of cost or net realizable value. Natural gas removed from storage is accounted for on an average cost basis.

c. Capital assets

Capital assets are stated at cost and include all direct costs plus overhead charges and an allowance for interest costs related to financing construction of the related assets.

Retirement or sale of a major capital asset, or class of capital assets, is accounted for by relieving the asset accounts of the associated cost and accumulated amortization. The difference between the proceeds and the net book value of the assets disposed is included in income for the current period.

Other retirements of capital assets are recorded by reducing the asset account with the cost of the asset and charging this amount, net of proceeds received, to accumulated amortization.

Amortization expense is calculated on a straight-line basis over the estimated service life of the asset. The amortization rates are as follows: (in per cent)

Distribution		Buildings	4.0
- Stations	3.0	Leasehold improvements	4.0 to 10.0
- Mains (urban)	2.5	Computers	
- Services (urban)	3.3	- Hardware	20.0 to 50.0
- Meters	3.5	- Software	10.0 to 20.0
- Mains and services (rural)	2.5	Vehicles, tools and equipment	8.0 to 11.1
		Furniture and fixtures	4.0

d. Customer capital contributions

Customer capital contributions relate to construction of new service connections. These contributions from customers are amortized on a straight-line basis over the estimated service life of the related asset.

e. Revenue recognition

Distribution revenue is recognized when natural gas is delivered to customers. An estimate of gas delivered, but not billed, is included in revenue.

f. Cost of gas sold

Cost of gas sold is recorded based on the forecast cost of natural gas included in customer rates as recommended by the Saskatchewan Rate Review Panel (SRRP) and approved by Cabinet of the Saskatchewan Government. The differences between the recorded cost of gas sold and costs actually incurred are deferred and accumulated in a Gas Cost Variance Account (GVA). The actual cost of gas can differ from the forecast primarily due to natural gas market price variations and customer usage variations from forecast. The balance in the GVA is subsequently refunded to or collected from customers through inclusion in future rates.

g. Deferred Charges

Effective January 1, 2000, the cost of future benefits earned by employees is actuarially determined using the projected benefit method and management's best estimates. Past service costs are amortized on a straight line basis over the average remaining service period of active employees.

3. BASIS OF PRESENTATION

There are two separate divisions (business units) within SaskEnergy. These financial statements reflect only the results of operations of the natural gas distribution utility referred to as the Distribution Division. The other division is referred to as the Holdings Division.

These financial statements are prepared primarily for management purposes. All information pertinent to the resources and results of operations of the Corporation and its subsidiaries is available to Crown Investments Corporation of Saskatchewan.

4. GAS COST VARIANCE ACCOUNT

The Saskatchewan Rate Review Panel recommended that SaskEnergy establish a Gas Cost Variance Account (GVA) to accumulate differences between forecast and actual gas commodity costs, and that if, at March 31, 2001, the GVA balance exceeds $20 million (surplus or deficit), SaskEnergy be allowed to apply for a rate change. The GVA, as at December 31, includes natural gas costs to be recovered from customers as follows:

	2000	1999
	(thousands)	
Balance, beginning of year	$	7,542 $ -
Increases		
Higher than forecast natural gas purchase prices	17,571	280
Retail rate increase delay	12,327	4,641
Other	(6,386)	3,124
Recovered in rates charged to customers	(4,986)	(503)
Balance, end of year	$ 26,068	$ 7,542

5. CAPITAL ASSETS

	2000			1999		
				(thousands)		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Distribution	$ 520,955	$112,305	$ 408,650	$ 498,321	$ 98,312	$400,009
General Plant	71,154	29,752	41,402	61,855	24,244	37,611
	$ 592,109	$142,057	$ 450,052	$ 560,176	$122,556	$437,620

The composite rate of amortization was 3.9 per cent during 2000 (3.9 per cent during 1999).

Included in distribution assets is an amount of $3,841 thousand (1999 - $2,618 thousand) paid to TransGas Limited (an affiliate) as a contribution in aid of construction of certain pipeline facilities. Amortization expense related to this amount in 2000 was $98 thousand (1999- $67 thousand).

6. DEFERRED CHARGES

Deferred charges include the following:

	2000	1999
	(thousands)	
Unamortized past service costs	$ 4,071	$ -
Unamortized debt costs	1,365	1,529
	$ 5,436	$ 1,529

7. CUSTOMER CAPITAL CONTRIBUTIONS

Contributions are received from customers to aid in construction of customer specific facilities in accordance with established business policies:

	2000	1999
	(thousands)	
Balance, beginning of year	$ 59,650	$ 54,909
Contributions received	5,271	6,179
Contributions amortized	(1,557)	(1,438)
Balance, end of year	$ 63,364	$ 59,650

8. NOTES PAYABLE TO HOLDINGS DIVISION

	2000		1999	
Years to Maturity	Principal Outstanding (thousands)	Average Fixed Interest Rate (per cent)	Principal Outstanding (thousands)	Average Fixed Interest Rate (per cent)
1 - 5	$ 43,696	11.3	$ 124,302	12.0
6 - 10	140,868	7.3	151,600	7.6
11 - 30	52,982	6.2	25,000	5.8
	237,546		300,902	
Less sinking fund equity	(2,071)		(16,537)	
	235,475		284,365	
Less due within one year	(20,485)		-	
	$ 214,990		$ 284,365	

a. Sinking funds

Under conditions attached to certain advances from the Holdings Division, the Distribution Division is required to pay annual installments equal to one per cent of outstanding debt into sinking funds. These funds are held by the Holdings Division.

b. Maturity dates

Maturity dates are equivalent to interest rate repricing dates.

c. Principal repayments

Principal repayments and sinking fund instalments due in each of the next five years are as follows: (thousands)

	2001	2002	2003	2004	2005
Principal	$20,485	$ -	$ -	$12,479	$10,732
Sinking fund installments	1,080	1,080	1,080	1,080	1,080
Total	$21,565	$ 1,080	$ 1,080	$13,559	11,812

d. Interest expense

Interest expense was as follows:

	2000	1999
	(thousands)	
Interest on long-term debt	$ 29,130	$ 27,782
Interest on bank indebtedness	1,240	993
Interest allocated to natural gas in storage	(2,548)	(1,590)
Sinking fund earnings	(1,261)	(1,417)
Interest capitalized	(118)	(166)
Interest on short-term investments	(9)	(366)
	$ 26,434	$ 25,236

Cash interest paid during 2000 on long-term debt was $29,718 thousand.

9. EQUITY ADVANCES

The Distribution Division does not have share capital. However, the Distribution Division has received equity advances from the Holdings Division to form its equity capitalization. The advances reflect an equity investment in the Distribution Division by the Holdings Division.

During 2000, the Distribution Division transferred debt of $71,048 thousand to the Holdings Division and the Holdings Division increased equity advances by an equal amount. These transactions occurred at carrying value.

10. FINANCIAL INSTRUMENTS

The Corporation engages in hedging activities through the use of financial derivatives. A Corporate Derivatives Policy and specific hedging strategies establish the guidelines within which derivatives may be used by the Corporation. The Corporation utilizes a variety of off-balance sheet financial instruments to manage its exposure to interest rate, foreign exchange rate and natural gas price risk. These instruments are only used to hedge underlying assets, liabilities or anticipated future transactions.

a. Hedging transactions

The Corporation purchases natural gas for the purpose of resale. Prices may be fixed for a one-year period or referenced to a floating index price. In order to manage price volatility, hedges are used to fix gas prices with respect to underlying physical gas supply contracts. Natural gas purchase prices are hedged by using financial instruments.

As at December 31, 2000, the Corporation had entered into natural gas price swap contracts with counterparties to effectively manage an annually predetermined portion of its forecast system gas supply. The Corporation's hedging tools also include option and basis contracts with counterparties and futures contracts traded on the New York Mercantile Exchange. For those hedges denominated in United States dollars, the Corporation hedges against its foreign exchange risk through the use of Forward Contracts.

Amounts received or paid resulting from settlement of gas price hedging transactions are recognized as a component of the cost of gas sold.

The Corporation is exposed to possible credit losses in the event of non-performance by counterparties to natural gas price swap and option contracts. The Corporation mitigates this credit risk by:

i. utilizing only counterparties with an A credit rating or better for at least 75 per cent of notional volumes purchased and Baa-rated counterparties to hedge up to 25 per cent of gas purchase volumes provided such hedges do not extend beyond 9 months from the transaction date; and
ii. limiting the notional gas volumes hedged to a maximum of 25 per cent with any one counterparty.

During 2000, the Corporation entered into transactions with 12 different counterparties. The Corporation expects all swap and option obligations to be met.

b. Fair value of financial instruments

The fair value of the Corporation's financial instruments is listed below:

	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(thousands)			
Long-term debt	$237,546	$255,047	$300,902	$316,941
Sinking fund equity	2,071	2,145	16,537	16,410
Natural gas price hedges:				
- swaps	-	104,199	-	(6,606)
- options	7	39,099	(1,433)	1,087
- futures		-	(1,025)	(59)
Foreign exchange	-	-	-	(1,045)

The fair values of the above instruments were based on the following:

i. Long-term debt - The present value of future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

ii. Sinking fund equity - The market value of the investments held in the sinking fund as at December 31, 2000.

iii. Natural gas price swaps - The relevant index price in effect on December 31, 2000.

iv. Natural gas price options - The relevant index price in effect on December 31, 2000.

v. Natural gas futures contracts - The closing quotation from the New York Mercantile Exchange on December 31, 2000.

vi. Foreign exchange - The Bank of Canada exchange rate on December 31, 2000.

The carrying values of other financial instruments (accounts receivable, accounts payable and short-term indebtedness) approximates fair value.

c. Credit risk

The Corporation provides credit to its customers in the normal course of business. The Corporation has over 320,000 customers and does not have a significant credit exposure to any individual customer. For 2000, credit losses were less than one quarter of one per cent of total revenue.

11. OTHER REVENUE

Other revenue includes the following:

	2000	1999
	(thousands)	
Competitive gas sales	$ 227,421	$ 128,311
Cost of gas	227,689	125,829
Margin	(268)	2,482
Amortization of customer capital contributions	1,557	1,438
Customer connect fees	1,245	1,256
Miscellaneous	915	957
	$ 3,449	$ 6,133

12. MUNICIPAL PAYMENTS AND SASKATCHEWAN TAXES

Municipal payments and Saskatchewan taxes include the following:

	2000	1999
	(thousands)	
Payments to municipalities	$ 13,319	$ 10,864
Corporate capital tax	2,341	2,499
Property taxes	5	11
	$15,665	$ 13,374

The above amounts do not include Saskatchewan Education and Health Tax payments.

13. CHANGE IN NON-CASH WORKING CAPITAL

The net change in non-cash working capital related to operations was as follows:

	2000	1999
	(thousands)	
Accounts payable / Intercompany accounts payable	$ 74,381	$ (3,965)
Accounts receivable / Intercompany accounts receivable	(73,230)	686
Gas Cost Variance Account	(18,526)	(7,542)
Natural gas in storage	12,699	(12,128)
Inventories of supplies	1,304	(978)
	$ (3,372)	$ (23,927)

14. RELATED PARTY TRANSACTIONS

a. Related party transactions with the Holdings Division and the Corporation's subsidiary corporations were as follows:

	2000	1999
	(thousands)	
Distribution revenue	$ 7,728	$ 7,573
Cost of gas sold	$ 28,420	$ 11,380
Other revenue	$ 2,358	$ 3,292
Operating and maintenance expenses	$ 52,795	$ 51,308
Interest expense	$ 28,905	$ 26,816

b. Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant

influence by the Government of Saskatchewan (collectively referred to as related parties).

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	2000	1999
	(thousands)	
Operating expenses	$ 15,808	$ 15,847
Revenue	8,880	9,553
Accounts payable	593	957
Customer capital contributions	666	657
Accounts receivable	778	631

In addition, the Corporation pays Saskatchewan Education and Health Tax, to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

15. PENSION PLANS

Substantially all employees of the Corporation are members of either a defined contribution or a defined benefit pension plan.

In accordance with the terms of the respective defined contribution plan (Public Employees Pension Plan) and defined benefit pension plan (Power Corporation Superannuation Plan, the Corporation's obligations are limited to making regular payments to the plans to match contributions made by the employees for current services. During the year, the corporation contributed $1,707 thousand (1999 - $1,627 thousand) on behalf of employees for current services.

16. SASKATCHEWAN RATE REVIEW PANEL

During 2000, The Saskatchewan Rate Review Panel was established by Minister's Order. The Panel was established to conduct a review of the Corporation's request for an increase in rates charged for natural gas commodity sales and delivery service. The review of proposed rate changes considers the interests of the consumer, the Corporation and the public. SaskEnergy applied for commodity and delivery rate increases to be effective November 1, 2000.

The Panel reviewed SaskEnergy's rate application and recommended that the natural gas commodity rate be increased effective December 1, 2000 and that the rate for delivery service not be increased.

The Saskatchewan Cabinet approved a rate change as recommended by the Panel.

17. COMPARATIVE FIGURES

Certain 1999 amounts have been reclassified to conform with the current year's presentation.

SASKENERGY INCORPORATED

HOLDINGS DIVISION

FINANCIAL STATEMENTS

DECEMBER 31, 2000

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of the Holdings Division of SaskEnergy Incorporated as at December 31, 2000 and the statements of earnings and deficit cash flows for the year then ended. These financial statements are the responsibility of the Holdings Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Holdings Division as at December 31, 2000, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada except that the investments in the Distribution Division and the subsidiary companies have not been consolidated as explained in note 3 to the financial statements.

The Holdings Division is a component of SaskEnergy Incorporated and has no separate legal status. Transactions with other divisions and affiliates of SaskEnergy Incorporated are described in note 3.

The financial statements for the preceding year are unaudited.

Ernst & Young LLP

Regina, Canada
February 5, 2001

Chartered Accountants

SASKENERGY INCORPORATED - HOLDINGS DIVISION

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

(thousands)

	Note	2000	1999 (unaudited)
ASSETS			
CURRENT ASSETS			
Cash		$ 934	$ 36,890
Intercompany interest receivable		19,920	18,563
Dividends receivable		6,724	3,697
		27,578	59,150
INVESTMENTS	4	782,404	762,488
DEFERRED CHARGES		1,808	2,144
		$811,790	$823,782
LIABILITIES AND PROVINCE'S EQUITY			
CURRENT LIABILITIES			
Short-term indebtedness		$ -	$ 38,800
Interest payable		20,439	19,454
Dividend payable		7,410	7,474
Long-term debt due within one year		50,000	-
		77,849	65,728
LONG-TERM DEBT	5	662,677	687,016
TOTAL LIABILITIES		740,526	752,744
PROVINCE OF SASKATCHEWAN'S EQUITY			
Equity advances	6	71,531	71,531
Deficit		(267)	(493)
		71,264	71,038
		$811,790	$823,782

(See accompanying notes)

On behalf of the Board:

_____, Director

_____, Director

SASKENERGY INCORPORATED - HOLDINGS DIVISION

STATEMENT OF EARNINGS AND DEFICIT

FOR THE YEAR ENDED DECEMBER 31

(thousands)

	2000	1999 (unaudited)
REVENUE		
Interest	$ 72,204	$ 67,850
Dividends	24,584	20,154
	96,788	88,004
EXPENSES		
Interest	72,162	68,021
Net earnings	24,626	19,983
Deficit, beginning of year	(493)	(347)
Dividend	(24,400)	(20,129)
Deficit, end of year	$ (267)	$ (493)

(See accompanying notes)

SASKENERGY INCORPORATED - HOLDINGS DIVISION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

(thousands)

	Note	2000	1999 (unaudited)
OPERATING ACTIVITIES			
Net earnings		$ 24,626	$ 19,983
Add item not requiring an outlay of cash Amortization of deferred financing costs		299	288
		24,925	20,271
Net change in non-cash working capital related to operations	7	(3,399)	2,740
Cash provided by operating activities		21,526	23,011
INVESTING ACTIVITIES			
Increase in investments		(19,916)	(21,019)
Cash used in investing activities		(19,916)	(21,019)
FINANCING ACTIVITIES			
Net increase in long-term debt		25,661	16,839
Increase (decrease) in financing costs		37	(216)
Dividend paid		(24,464)	(17,598)
Net decrease in short-term indebtedness		(38,800)	(18,000)
Cash used in financing activities		(37,566)	(18,975)
DECREASE IN CASH during year		(35,956)	(16,983)
CASH POSITION, beginning of year		36,890	53,873
CASH POSITION, end of year		$ 934	$ 36,890

(See accompanying notes)

SASKENERGY INCORPORATED - HOLDINGS DIVISION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2000

1. STATUS OF THE CORPORATION

By virtue of **The Crown Corporations Act, 1993**, SaskEnergy Incorporated has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan (CIC). Accordingly, the financial results of SaskEnergy Incorporated are included in the consolidated financial statements of CIC, a provincial Crown corporation.

As a provincial Crown corporation, SaskEnergy Incorporated and its wholly-owned subsidiaries are not subject to Federal or Provincial income taxes in Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada, except as noted below, and applied on a consistent basis and include certain estimates based on management's judgment. These estimates affect the reported amounts of assets, liabilities, revenue and expenses.

a. Equity advances to the Distribution Division

These advances are considered to be long-term equity investments by the Holdings Division and are therefore referred to as equity advances. The equity advances are initially recorded at cost. Distributions from this division are recognized in income as dividends when receivable.

b. Investments in share capital corporations

Investments in shares of corporations are accounted for on the cost method. Dividends from these share investments are recognized as income when receivable.

c. Deferred charges

Issue costs and discounts incurred on the issue of long-term debt are recorded at cost less accumulated amortization. These deferred charges are amortized over the term of the related debt on a straight-line basis.

3. BASIS OF PRESENTATION

There are two separate divisions (business units) within SaskEnergy Incorporated. These financial statements reflect only the results of operations of the division which holds interests in the subsidiaries. This division is referred to as the Holdings Division. The other division is referred to as the Distribution Division. Investments in shares of subsidiaries and equity advances to the Distribution Division are not consolidated but are recorded at cost.

These financial statements are prepared primarily for management purposes. All information pertinent to the resources and results of operations of the Corporation and its subsidiaries is available to CIC. Consolidated financial statements for the Corporation are presented to the Legislative Assembly.

As these financial statements have not been prepared for general purposes, some users may require consolidated financial information.

4. INVESTMENTS

The Holdings Division has made the following investments in and loans to its subsidiaries and the Distribution Division.

		(thousands) 2000	1999 (unaudited)
a.	Loans receivable *	$630,954	$684,539
b.	Equity investments		
	Distribution Division**	139,010	67,962
	SaskEnergy International Incorporated	7,377	4,925
	TransGas Limited	4,001	4,001
	Bayhurst Gas Limited	1,061	1,061
	SwanValley Gas Corporation	1	-
	Many Islands Pipe Lines (Canada) Limited ***	-	-
		151,450	77,949
	Total investments	$782,404	$762,488

All companies are wholly-owned Subsidiaries of the Holdings Division

* The terms and conditions on the loans receivable from TransGas Limited, Many Islands Pipe Lines (Canada) Limited and the Distribution Division are structured so that they reflect the same terms and conditions as the Holdings Division's long-term debt.

** During 2000, the Distribution Division transferred debt of $71,048 thousand to the Holdings Division and the Holdings Division increased equity advances by an equal amount. These transactions occurred at carrying value.

***The recorded cost of the Many Islands Pipe Lines (Canada) Limited shares is $101 (1999 - $101).

5. LONG-TERM DEBT

All of the long-term debt is owing to the Province of Saskatchewan's General Revenue Fund.

Years to Maturity	2000 Principal Outstanding (thousands)	2000 Average Fixed Interest Rate (per cent)	1999 (unaudited) Principal Outstanding (thousands)	1999 (unaudited) Average Fixed Interest Rate (per cent)
1 - 5	$ 404,586	11.1	$303,391	12.0
6 - 10	228,564	8.1	329,758	8.2
16 - 30	133,971	7.7	100,000	8.0
	767,121		733,149	
Less sinking fund equity	(54,444)		(46,133)	
	712,677		687,016	
Less due within one year	(50,000)		-	
	$ 662,677		$ 687,016	

a. Sinking funds

Under conditions attached to certain advances from the Province of Saskatchewan's General Revenue Fund, SaskEnergy Incorporated is required to pay annual instalments equal to one per cent of particular outstanding debt into sinking funds. These sinking funds are administered by the Province of Saskatchewan's Department of Finance.

b. Maturity dates

Maturity dates are equivalent to interest rate repricing dates.

c. Principal repayments

Principal repayments and sinking fund instalments due in each of the next five years are as follows: (thousands)

	2001	2002	2003	2004	2005
Principal	$50,000	$ -	$ 222,934	$ 30,457	$ 101,195
Sinking fund instalments	4,869	4,869	2,640	2,640	1,890
Total	$54,869	$ 4,869	$ 225,574	$ 33,097	$ 103,085

6. EQUITY ADVANCES

The Holdings Division does not have share capital. However, the Holdings Division has received advances from CIC. The advances are considered to be an equity investment in the Holdings Division by CIC.

7. CHANGE IN NON-CASH WORKING CAPITAL

The net change in non-cash working capital related to operations was as follows:

	(thousands)	
	2000	1999 (unaudited)
Dividends receivable	$ (3,027)	$ 1,591
Intercompany accounts receivable	(1,357)	377
Accounts payable	985	772
	$ (3,399)	$ 2,740

8. RELATED PARTY TRANSACTIONS

Included in these financial statements are income and expense amounts resulting from operating transactions conducted with subsidiary corporations, the parent corporation, CIC and the Saskatchewan Department of Finance.

Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trade terms. Amounts due to and from related parties are described separately in these financial statements and notes.

9. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

The fair value of the Holding Division's financial instruments is listed below:

	(thousands)			
	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
			(unaudited)	
Long-term loans receivable	$669,793	$743,933	$733,150	$803,292
Sinking fund equity payable	36,662	37,981	46,134	45,780
Long-term debt	767,121	842,815	733,150	803,292
Sinking fund equity receivable	54,444	56,406	46,134	45,780

The fair values of the above instruments were based on the following:

i. Long-term loans receivable The present value of future cash flows discounted at the market rate for the equivalent Province of Saskatchewan debt instruments.

ii. Long-term debt The present value of future cash flows discounted at the market rate for the equivalent Province of Saskatchewan debt instruments.

iii. Sinking fund equity payable The fair value of the investments held in the sinking fund on behalf of the Distribution Division and subsidiaries as at December 31, 2000.

iv. Sinking fund equity receivable Equivalent to the fair value of the sinking fund receivable from the Province of Saskatchewan as at December 31, 2000.

The carrying values of other financial instruments (intercompany accounts receivable, accounts payable and cash) approximates fair value.

b. Credit risk

The Holdings Division has extended credit only to the Distribution Division and the subsidiary corporations listed in Note 4. The Holdings Division expects all amounts due to be paid. There were no credit losses in 2000.

TRANSGAS LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2000

AUDITORS' REPORT

To the Shareholder of TransGas Limited

We have audited the statement of financial position of TransGas Limited as at December 31, 2000 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Regina, Canada
February 5, 2001

Chartered Accountants

TRANSGAS LIMITED

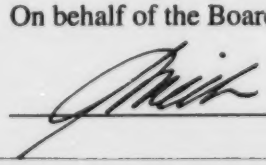
STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

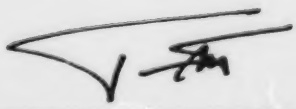
	Note	2000	1999
		(thousands)	
ASSETS			
CURRENT ASSETS			
Cash		$ 51,349	$ 19,499
Accounts receivable		11,174	11,633
Intercompany accounts receivable		5,943	6,685
Inventories of supplies		342	384
		68,808	38,201
NATURAL GAS IN STORAGE	3	32,235	38,781
CAPITAL ASSETS	4	539,862	548,516
DEFERRED CHARGES	5	2,446	946
		$643,351	$626,444
LIABILITIES AND SHAREHOLDER'S EQUITY			
CURRENT LIABILITIES			
Due to parent		$ 10,771	$ 10,658
Accounts payable		10,522	10,906
Dividend payable		5,633	937
Intercompany accounts payable		1,497	1,345
Long term debt due within one year	7	28,646	-
		57,069	23,846
CUSTOMER CAPITAL CONTRIBUTIONS	6	29,722	27,703
LONG TERM DEBT	7	366,270	399,823
TOTAL LIABILITIES		453,061	451,372
SHAREHOLDER'S EQUITY			
Share capital	8	4,001	4,001
Retained earnings		186,289	171,071
		190,290	175,072
		$643,351	$626,444
COMMITMENTS	9		

(See accompanying notes)

On behalf of the Board:



_____, Director



_____, Director

TRANSGAS LIMITED

STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31

	Note	2000	1999
		(thousands)	
REVENUE			
Transportation and storage		$ 133,401	$ 136,912
Net revenue from natural gas sales	3	15,410	7,114
Other revenue	10	4,806	3,361
		153,617	147,387
EXPENSES			
Operating and maintenance		45,686	44,927
Interest	7	39,228	40,481
Amortization of capital assets		22,855	22,321
Saskatchewan taxes and royalties	10	12,025	8,638
Total expenses		119,794	116,367
Net earnings		33,823	31,020
Retained earnings, beginning of year		171,071	154,014
Dividend		(18,605)	(13,963)
Retained earnings, end of year		$ 186,289	$ 171,071

(See accompanying notes)

TRANSGAS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

	Note	2000	1999
		(thousands)	
OPERATING ACTIVITIES			
Net earnings		$ 33,823	$ 31,020
Add (deduct) items not requiring an outlay of cash			
Amortization of capital assets		22,855	22,321
Other non-cash items		315	134
Amortization of customer capital contributions		(798)	(657)
		56,195	52,818
Net change in non-cash working capital related to operations	11	1,124	5,455
Cash provided by operating activities		57,319	58,273
INVESTING ACTIVITIES			
Additions to capital assets		(14,201)	(19,597)
Increase in deferred charges		(1,815)	-
Decrease in natural gas in storage		6,546	5,288
Customer capital contributions received		2,817	5,524
Cash used in investing activities		(6,653)	(8,785)
FINANCING ACTIVITIES			
Decrease in long term debt		(4,907)	(5,184)
Dividend paid		(13,909)	(16,655)
Cash used in financing activities		(18,816)	(21,839)
INCREASE IN CASH during year		31,850	27,649
CASH POSITION, beginning of year		19,499	(8,150)
CASH POSITION, end of year		$ 51,349	$ 19,499

(See accompanying notes)

TRANSGAS LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2000

1. STATUS OF THE CORPORATION

TransGas Limited was incorporated on March 30, 1988 under the **Saskatchewan Business Corporations Act**. TransGas Limited is a wholly-owned subsidiary of SaskEnergy Incorporated (SEI), a Saskatchewan provincial Crown corporation.

TransGas Limited, as a wholly-owned subsidiary of a Saskatchewan provincial Crown corporation, is not subject to Federal or Provincial income taxes in Canada.

TransGas Limited operates the major natural gas transmission pipeline system within Saskatchewan providing open access transmission services including gathering, compression and natural gas processing to end use customers, marketers and export producers. The Corporation has the legislated franchise for the transmission of natural gas within Saskatchewan. The Corporation also provides natural gas storage services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada applied on a consistent basis and include certain estimates based on management's judgment. These estimates affect the reported amounts of assets, liabilities, revenue and expenses. The following accounting policies are considered to be significant:

a. Inventories of supplies

Inventories of supplies consist primarily of general supplies used for construction and maintenance and are recorded at the lower of average cost or replacement cost.

b. Natural gas in storage

Natural gas in storage is stated at the lower of cost or net realizable value.

c. Capital assets

Capital assets are recorded at cost and include all direct costs plus overhead charges and an allowance for interest costs related to financing construction of the related assets.

The costs of renewals and betterments which extend the economic life of assets are capitalized.

Retirement or sale of a capital asset, or class of capital assets, is accounted for by relieving the asset accounts of the associated cost and accumulated amortization. The difference between the proceeds and the net book value of the assets disposed is included in income for the current period.

Amortization expense is calculated on a straight-line basis over the estimated service life of the asset. The amortization rates are as follows (in per cent):

Transmission and storage	2.5 to 2.6
Gathering, treatment and compression	2.5 to 3.5
Vehicles, equipment and other	4.0 to 33.0

d. Deferred charges

Effective January 1, 2000, the cost of future benefits earned by employees is actuarily determined using the projected benefit method and management's best estimates. Past service costs are amortized on a straight line basis over the average remaining service period of active employees.

e. Customer capital contributions

Customer capital contributions relate to construction of new service connections. These contributions from customers are amortized on a straight-line basis over the estimated service life of the related asset.

f. Revenue recognition

Revenue is recognized when transportation, transportation related services and storage are provided to customers. An estimate of transportation, storage and related services rendered, but not billed, is included in revenue.

3. NATURAL GAS IN STORAGE

a. Natural gas in storage classified as a non-current asset is located within the Corporation's various storage facilities and is required for the ongoing operations of the storage facilities.

b. The Corporation has natural gas reserves that are fully amortized. A portion of these reserves were sold in 2000.

4. CAPITAL ASSETS

	2000			1999		
	(thousands)					
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Transmission and storage	$ 522,507	$112,708	$ 409,799	$ 515,772	$ 98,670	$417,102
Gathering, treatment and compression	148,586	42,547	106,039	144,047	37,141	106,906
Vehicles, equipment and other	41,123	19,483	21,640	38,835	17,807	21,028
Construction in progress	2,384	-	2,384	3,480	-	3,480
	$ 714,600	$174,738	$ 539,862	$ 702,134	$153,618	$548,516

The composite rate of amortization was 3.2 per cent during 2000 (3.2 per cent during 1999).

5. DEFERRED CHARGES

Deferred charges include the following:

	2000	1999
	(thousands)	
Unamortized past service costs	$ 1,634	$ -
Deferred finance costs	812	946
	$ 2,446	$ 946

6. CUSTOMER CAPITAL CONTRIBUTIONS

Contributions are received from customers to aid in construction of customer specific facilities in accordance with established business policies.

	2000	1999
	(thousands)	
Balance, beginning of year	$ 27,703	$ 22,836
Contributions received	2,817	5,524
Contributions amortized	(798)	(657)
Balance, end of year	$ 29,722	$ 27,703

Included in customer capital contributions is an amount of $3,841 thousand (1999 - $2,618 thousand) received from SEI for customer capital contributions in aid of construction of certain transmission facilities.

7. LONG TERM DEBT

Years to Maturity	2000 Principal Outstanding (thousands)	2000 Average Fixed Interest Rate (per cent)	1999 Principal Outstanding (thousands)	1999 Average Fixed Interest Rate (per cent)
Notes payable to parent				
1 - 5	$263,826	10.7	$173,819	12.0
6 - 10	85,115	9.4	175,122	8.7
16 - 30	75,000	8.8	75,000	8.8
	423,941		423,941	
Less sinking fund equity	(33,841)		(28,934)	
Notes payable	390,100		395,007	
Less due within one year	(28,646)		-	
Total notes payable	361,454		395,007	
Other debt	4,816	13.5	4,816	13.5
Long term debt	$366,270		$399,823	

a. Sinking funds

Under conditions attached to certain advances from SEI, TransGas Limited is required to pay annual installments equal to one per cent of outstanding debt into sinking funds. These sinking funds are held by SEI.

b. Maturity dates

Maturity dates are equivalent to interest rate repricing dates.

c. Principal repayments

Principal repayments and sinking fund installments due in each of the next five years are as follows: (thousands)

	2001	2002	2003	2004	2005
Principal	$28,646	$ -	$127,723	$ 17,449	$ 90,008
Sinking fund instalments	2,777	2,777	1,500	1,500	750
Total	$31,423	$ 2,777	$129,223	$ 18,949	$ 90,758

d. Interest expense

Interest expense was as follows:

	2000	1999
	(thousands)	
Interest on notes payable to parent	$ 42,758	$ 42,758
Interest on other debt	650	650
Interest on bank indebtedness	129	155
Sinking fund earnings	(2,130)	(2,407)
Interest revenue on short term investments	(2,072)	(575)
Interest capitalized	(107)	(100)
	$ 39,228	$ 40,481

Cash interest paid during the year on notes payable to parent was $42,758 thousand.

8. SHARE CAPITAL

Authorized share capital consists of an unlimited number of Class A common shares without nominal or par value. Thirty shares (1999 - thirty) are issued and outstanding.

9. COMMITMENTS

a. The Corporation leases natural gas storage facilities near Regina, Saskatchewan. The annual base lease payments are as follows: (thousands)

2001	2002	2003	2004	2005	Thereafter	Total
$495	$542	$556	$570	$584	$3,480	$6,227

b. TransGas Limited is planning a divestiture of natural gas from a non-operational storage facility. The Corporation has entered into forward sales agreements over a three year period totaling $54.9 million.

10. SASKATCHEWAN TAXES AND ROYALTIES

Saskatchewan taxes and royalty payments include the following:

	2000	1999
	(thousands)	
Payments to municipalities	$ 4,806	$ 3,361
Royalities	4,700	2,759
Corporate capital tax	2,173	2,164
Mitigation payments and property taxes	346	354
	$ 12,025	$ 8,638

The above amounts do not include Saskatchewan Education and Health Tax payments.

In accordance with regulations under the SaskEnergy Act, TransGas is required to collect from specific customers a fee based on the value of gas transported on their behalf. The revenue collected is classified as other revenue. TransGas in turn pays the revenue collected to the certain municipalities. In 2000 revenue collected and paid to municipalities was $4,806 thousand (1999 - $3,361 thousand).

11. NET CHANGE IN NON-CASH WORKING CAPITAL

	2000	1999
	(thousands)	
Intercompany accounts receivable	$ 742	$ (1,875)
Accounts receivable	459	4,363
Intercompany accounts payable	152	(71)
Due to parent	113	(105)
Inventories of supplies	42	67
Accounts payable	(384)	(1,281)
Natural gas in storage	-	4,357
	$ 1,124	$ 5,455

12. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

The fair value of the Corporation's financial instruments is listed below:

	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(thousands)			
Long term debt	$428,757	$489,842	$428,757	$486,406
Sinking fund equity	$ 33,841	$ 35,058	$ 28,934	$ 28,713
Natural Gas Price Swaps	$ -	$(14,814)	$ -	$ -

The fair values of the above instruments were based on the following:

i. Long term debt The present value of future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

ii. Sinking fund equity - The market value of the investments held in the sinking fund as at December 31, 2000.

iii. Natural Gas Price Swaps - The relevant index price in effect on December 31, 2000.

The carrying values of other financial instruments (cash, accounts receivable, intercompany accounts receivable, accounts payable, intercompany accounts payable, due to parent and dividend payable) approximate fair value.

b. Credit risk

The Corporation provides credit to its customers in the normal course of business. Excluding related parties (see Note 12), the Corporation has approximately 80 customers. In 2000, credit losses were less than 0.15 percent of total revenue.

13. RELATED PARTY TRANSACTIONS

a. Transactions with SEI and its other subsidiary corporations were as follows:

	2000	1999
	(thousands)	
Transportation and storage revenue	$ 62,321	$ 63,019
Net revenue from natural gas sales	$ 21,845	$ 1,217
Operating and maintenance expenses	$ 9,002	$ 8,822
Interest expense	$ 38,690	$ 39,931

These items have been recorded at their exchange amounts.

b. Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Routine operating transactions with these related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	2000	1999
	(thousands)	
Accounts receivable	$ 1,104	$ 2,705
Accounts payable	380	483
Revenue	17,215	16,141
Operating expenses	8,816	7,441
Customer capital contributions	2,025	2,091

In addition, the Corporation pays Saskatchewan Education and Health Tax, to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

14. PENSION PLANS

Substantially all employees of the corporation are members of either a defined contribution or a defined benefit pension plan.

In accordance with the terms of the defined contribution plan (Public Employees Pension Plan) and the defined benefit pension plan (Power Corporation Superannuation Plan), the Corporation's obligations are limited to making regular payments to the plans to match contributions made by the employees for current services. During the year, the corporation contributed $627 thousand (1999 - $603 thousand) on behalf of employees for current services.

15. COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform to the current year's presentation.

MANY ISLANDS PIPE LINES (CANADA) LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2000

AUDITORS' REPORT

To the Shareholder of Many Islands Pipe Lines (Canada) Limited

We have audited the statement of financial position of Many Islands Pipe Lines (Canada) Limited as at December 31, 2000 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disciosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Regina, Canada
February 5, 2001

Chartered Accountants

MANY ISLANDS PIPE LINES (CANADA) LIMITED

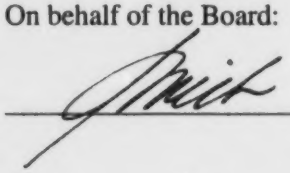
STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

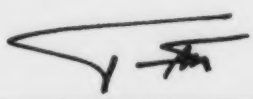
	Note	2000	1999
		(thousands)	
ASSETS			
CURRENT ASSETS			
Accounts receivable		$ 149	$ 241
CAPITAL ASSETS	3	18,065	14,266
		$ 18,214	$ 14,507
LIABILITIES AND SHAREHOLDER'S EQUITY			
CURRENT LIABILITIES			
Bank indebtedness		$ 3,962	$ 1,008
Accounts payable		508	196
Intercompany accounts payable		713	391
Notes payable due within one year		869	-
Dividend payable		229	492
		6,281	2,087
NOTES PAYABLE TO PARENT	4	6,687	7,644
TOTAL LIABILITIES		12,968	9,731
SHAREHOLDER'S EQUITY			
Share capital	5	-	-
Retained earnings		5,246	4,776
		5,246	4,776
		$ 18,214	$ 14,507

(See accompanying notes)

On behalf of the Board:



_____, Director



_____, Director

MANY ISLANDS PIPE LINES (CANADA) LIMITED

STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31

	Note	2000	1999
		(thousands)	
REVENUE			
Transportation		$ 4,124	$ 3,843
EXPENSES			
Operating and maintenance		1,026	940
Interest	4	938	929
Amortization of capital assets		537	527
Saskatchewan taxes	6	492	470
Total expenses		2,993	2,866
Net earnings		1,131	977
Retained earnings, beginning of year		4,776	4,776
Dividend		(661)	(977)
Retained earnings, end of year		$ 5,246	$ 4,776

(See accompanying notes)

MANY ISLANDS PIPE LINES (CANADA) LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

	Note	2000	1999
		(thousands)	
OPERATING ACTIVITIES			
Net earnings		$ 1,131	$ 977
Add items not requiring an outlay of cash			
Amortization of capital assets		537	527
		1,668	1,504
Net change in non-cash working capital related to operations	7	726	(94)
Cash provided by operating activities		2,394	1,410
INVESTING ACTIVITIES			
Additions to capital assets		(4,336)	(149)
FINANCING ACTIVITIES			
Dividend paid		(924)	(1,141)
Decrease in notes payable to parent		(88)	(97)
Cash used in financing activities		(1,012)	(1,238)
(INCREASE) DECREASE IN BANK INDEBTEDNESS during year		(2,954)	23
BANK INDEBTEDNESS, beginning of year		(1,008)	(1,031)
BANK INDEBTEDNESS, end of year		$ (3,962)	$ (1,008)

(See accompanying notes)

MANY ISLANDS PIPE LINES (CANADA) LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2000

1. STATUS OF THE CORPORATION

Many Islands Pipe Lines (Canada) Limited (MIPL) was incorporated on July 2, 1972 under the **Canada Business Corporations Act**. MIPL is a wholly-owned subsidiary of SaskEnergy Incorporated (SEI), a Saskatchewan provincial Crown corporation.

As the Corporation is a wholly-owned subsidiary of a Saskatchewan provincial Crown corporation, the Corporation is not subject to Federal or Provincial income taxes in Canada.

MIPL owns and/or operates fourteen natural gas transmission pipelines. Eleven interconnect Alberta to Saskatchewan pipelines. Two interconnect United States and Saskatchewan pipelines and one interconnects Manitoba and Saskatchewan pipelines. The pipelines are located mainly in Saskatchewan and either cross or terminate at the Alberta, Manitoba and United States borders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada applied on a consistent basis and include certain estimates based on management's judgment. These estimates affect the reported amounts of assets, liabilities, revenue and expenses. The following accounting policies are considered to be significant:

a. Capital assets

Capital assets are stated at cost and include all direct costs plus overhead charges.

The costs of renewals and betterments which extend the economic useful life of assets are capitalized.

Retirement or sale of a capital asset, or class of capital assets, is accounted for by relieving the asset accounts of the associated cost and accumulated amortization. The difference between the proceeds and the net book value of the asset disposed is included in income for the current period.

Amortization expense is calculated on a straight-line basis over the estimated service life of the asset as follows: (in per cent) transmission 2.6, compression 3.5, treatment 2.5, and other from 2.5 to 15.0.

b. Revenue recognition

Revenue is recognized when transportation services are provided to customers. An estimate of transportation services rendered, but not billed, is included in revenue.

3. CAPITAL ASSETS

	2000			1999		
	(thousands)					
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Transmission	$ 21,466	$ 4,461	$ 17,005	$17,485	$ 4,000	$ 13,485
Compression	1,220	538	682	1,220	495	725
Treatment	14	4	10	14	4	10
Other	829	461	368	474	428	46
	$ 23,529	$ 5,464	$ 18,065	$ 19,193	$ 4,927	$ 14,266

The composite rate of amortization was 2.5 per cent during 2000 (2.8 per cent during 1999).

On April 1, 1988, the Corporation acquired a pipeline from Consolidated Pipe Lines Company (CPL). The original cost of the pipeline to CPL was $9,182 thousand and accumulated amortization of $6,879 thousand had been recorded as of April 1, 1988.

Pursuant to a National Energy Board (NEB) order dated April 11, 1991 the Corporation acquired a pipeline from its parent company, SaskEnergy Incorporated. Pursuant to a NEB order also dated April 11, 1991, SaskEnergy Incorporated acquired the pipeline from Saskatchewan Power Corporation (SPC). The original cost of this pipeline to SPC was $264 thousand and accumulated amortization of $151 thousand had been recorded as of April 11, 1991.

On December 9, 1993, MIPL purchased a pipeline from an affiliated company, TransGas Limited, pursuant to a NEB Order dated December 9, 1993. The original cost of the pipeline to TransGas Limited was $2,895 thousand and accumulated amortization of $62 thousand had been recorded as of December 9, 1993.

Pursuant to a NEB order dated September 28, 2000, the Corporation constructed a pipeline at an original cost of $3,716 thousand. The pipeline commenced service December 3, 2000.

4. NOTES PAYABLE TO PARENT

Years to Maturity	2000 Principal Outstanding (thousands)	2000 Average Fixed Interest Rate (per cent)	1999 Principal Outstanding (thousands)	1999 Average Fixed Interest Rate (per cent)
1 - 5	$ 5,726	12.0	$ 5,270	12.0
6 - 10	2,580	9.4	3,036	9.7
	8,306		8,306	
Less sinking fund equity	(750)		(662)	
Total notes payable to parent	$ 7,556		$ 7,644	
Less due within one year	(869)		-	
Notes payble to parent	$ 6,687		$ 7,644	

a. Sinking funds

Under conditions attached to certain notes payable to SaskEnergy Incorporated, Many Islands Pipe Lines (Canada) Limited is required to pay annual installments equal to one per cent of outstanding debt into sinking funds. These sinking funds are held by SaskEnergy Incorporated.

b. Maturity dates

Maturity dates are equivalent to interest rate repricing dates.

c. Principal repayments

Principal repayments and sinking fund installments due in each of the next five years are as follows: (thousands)

	2001	2002	2003	2004	2005
Principal	$ 869	$ -	$3,873	$ 529	$ 455
Sinking fund instalments	39	39	-	-	-
Total	$ 908	$ 39	$3,873	$ 529	$ 455

d. Interest expense

Interest expense was as follows:

	2000	1999
	(thousands)	
Interest on notes payable to parent	$ 927	$ 927
Interest on bank indebtedness	67	58
Amortization of deferred charges	1	1
Sinking fund earnings	(49)	(57)
Interest capitalized	(8)	-
	$ 938	$ 929

Cash interest paid during the year on notes payable to parent was $927 thousand.

5. SHARE CAPITAL

Authorized share capital consists of 50,000 Class A common shares without nominal or par value. One hundred and one shares (1999 - 101) are issued and outstanding. The shares were issued for nominal consideration of one hundred and one dollars.

6. SASKATCHEWAN TAXES

Saskatchewan taxes include the following:

	2000	1999
	(thousands)	
Property taxes	$ 465	$ 460
Corporate capital tax	27	10
	$ 492	$ 470

The above amounts do not include Saskatchewan Education and Health Tax payments.

7. NET CHANGE IN NON-CASH WORKING CAPITAL

	2000	1999
	(thousands)	
Accounts receivable	$ 92	$ (5)
Accounts payable	312	(4)
Intercompany accounts payable	322	(85)
	$ 726	$ (94)

8. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

The fair value of the Corporation's financial instruments are listed below:

	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(thousands)			
Notes payable to parent	$ 8,306	$ 9,100	$ 8,306	$ 9,273
Sinking fund equity	$ 750	$ 777	$ 662	$ 657

The fair values of the above instruments were based on the following:

i. Notes payable to parent - The present value of future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

ii. Sinking fund equity - The market value of the investments held in the sinking fund as at December 31, 2000.

The carrying values of other financial instruments (accounts receivable, accounts payable, intercompany accounts payable and bank indebtedness) approximate fair value.

b. Credit risk

The Corporation provides credit to its customers in the normal course of business. Excluding related parties (see Note 10), the Corporation has 8 customers from which it earns approximately one-half of its revenue. The Corporation had a maximum credit exposure to any individual customer of approximately $115 thousand. There were no credit losses in 2000.

9. NATIONAL ENERGY BOARD REGULATION

All revenues and expenses of the Corporation are related to activities subject to regulation by the National Energy Board.

10. RELATED PARTY TRANSACTIONS

a. Transactions with SEI and affiliated corporations were as follows:

	2000	1999
	(thousands)	
Revenue	$ 1,928	$ 1,873
Operating and maintenance expenses	$ 920	$ 854
Interest expense	$ 946	$ 929

These items have been recorded at their exchange amounts.

b. By virtue of Many Islands Pipe Lines (Canada) Limited being a subsidiary of SEI, it is related to various Saskatchewan Crown corporations, departments, agencies, boards and commissions subject to joint control and significant influence by the Government of Saskatchewan.

Routine operating transactions with these related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end were as follows:

	2000	1999
	(thousands)	
Operating expense	$ 36	$ 18

In addition, the Corporation pays Saskatchewan Education and Health Tax, to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

BAYHURST GAS LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2000

AUDITORS' REPORT

To the Shareholder of Bayhurst Gas Limited

We have audited the statement of financial position of Bayhurst Gas Limited as at December 31, 2000 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Regina, Canada
February 5, 2001

Chartered Accountants

BAYHURST GAS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

	Note	2000	1999
		(thousands)	
ASSETS			
CURRENT ASSETS			
Accounts receivable and accrued revenue		$ 1,000	$ 381
Intercompany receivable		-	1,125
		1,000	1,506
ROYALTY INTEREST		6,831	6,831
Less accumulated amortization		5,905	5,005
		926	1,826
		$ 1,926	$ 3,332
LIABILITIES AND SHAREHOLDER'S EQUITY			
CURRENT LIABILITIES			
Accounts payable		$ 3	$ 3
Dividend payable		862	2,268
TOTAL LIABILITIES		865	2,271
SHAREHOLDER'S EQUITY			
Share capital	3	1,061	1,061
Retained earnings		-	-
		1,061	1,061
		$ 1,926	$ 3,332

(See accompanying notes)

On behalf of the Board:

_____, Director

_____, Director

BAYHURST GAS LIMITED

STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31

	2000	1999
	(thousands)	
REVENUE		
Royalties	$ 4,039	$ 2,934
EXPENSES		
Amortization of royalty interest	900	959
Interest	-	25
Operating and maintenance	23	22
Total expenses	923	1,006
Net earnings	3,116	1,928
Retained earnings, beginning of year	-	987
Dividend	(3,116)	(2,915)
Retained earnings, end of year	$ -	$ -

(See accompanying notes)

BAYHURST GAS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

	Note	2000	1999
		(thousands)	
OPERATING ACTIVITIES			
Net earnings		$ 3,116	$ 1,928
Add item not requiring an outlay of cash Amortization of royalty interest		900	959
		4,016	2,887
Net change in non-cash working capital related to operations	4	506	(1,222)
Cash provided by operating activities		4,522	1,665
FINANCING ACTIVITIES			
Decrease in note payable to parent		-	(769)
Dividend paid		(4,522)	(896)
Cash used in financing activities		(4,522)	(1,665)
CASH POSITION, beginning and end of year		$ -	$ -

(See accompanying notes)

BAYHURST GAS LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2000

1. STATUS OF THE CORPORATION

Bayhurst Gas Limited was incorporated on March 30, 1988 under the **Saskatchewan Business Corporations Act**. The corporation is a wholly-owned subsidiary of SaskEnergy Incorporated, a Saskatchewan provincial Crown corporation.

Bayhurst Gas Limited, as a wholly-owned subsidiary of a Saskatchewan provincial Crown corporation, is not subject to Federal or Provincial income taxes in Canada.

Bayhurst Gas Limited owns a gross overriding royalty interest in 488 natural gas properties in Saskatchewan and Alberta whereby the Corporation receives monthly payments in accordance with the terms and conditions of the royalty interest.

The affairs of the Corporation are managed by the Board of Directors and the management of its parent, SaskEnergy Incorporated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada applied on a consistent basis and include certain estimates based on management's judgment. These estimates affect the reported amounts of assets, liabilities, revenue and expenses. The following accounting policy is considered to be significant:

Royalty interest

The royalty interest is recorded at cost. Amortization expense is calculated on a unit-of-production basis.

3. SHARE CAPITAL

Authorized share capital consists of an unlimited number of Class A common shares without nominal or par value. One hundred twenty (120) shares (1999 - 120 shares) are issued and outstanding.

4. NET CHANGE IN NON-CASH WORKING CAPITAL

	2000	1999
	(thousands)	
Accounts receivable	$ (619)	$ (100)
Intercompany receivable	1,125	(1,125)
Accounts payable	-	3
	$ 506	$ (1,222)

5. RELATED PARTY TRANSACTIONS

Transactions with SaskEnergy Incorporated were as follows:

	2000	1999
	(thousands)	
Interest expense	$ -	$ 25

6. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

The carrying values of financial instruments (accounts receivable and dividend payable) approximate fair value.

b. Credit risk

The Corporation receives monthly royalties on certain natural gas properties. The largest receipts (approximately 75 per cent) are from one non-related company. The Corporation expects all future royalty payments to be received in accordance with the terms and conditions of the royalty agreements. There were no credit losses in 2000.

SWAN VALLEY GAS CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2000

AUDITORS' REPORT

To the Shareholder of Swan Valley Gas Corporation

We have audited the statement of financial position of Swan Valley Gas Corporation as at December 31, 2000 and the statements of earnings and retained earnings and cash flows for the period then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and the results of its operations and its cash flows for the period then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Regina, Canada
February 5, 2001

Chartered Accountants

ERNST & YOUNG

SWAN VALLEY GAS CORPORATION

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2000

(thousands)

	Note	
ASSETS		
CURRENT ASSETS		
Cash		$ 561
Accounts receivable		2,276
		2,837
GAS COST VARIANCE ACCOUNT	3	8
CAPITAL ASSETS	4	4,814
		$ 7,659
LIABILITIES AND PROVINCE'S EQUITY		
CURRENT LIABILITIES		
Accounts payable		$ 245
Intercompany accounts payable		2,819
		3,064
CAPITAL CONTRIBUTIONS	5	4,564
TOTAL LIABILITIES		7,628
SHAREHOLDER'S EQUITY	6	
Share capital		1
Retained earnings		30
		$ 7,659

On behalf of the Board:

_____ Director

_____ Director

SWAN VALLEY GAS CORPORATION

STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE PERIOD ENDED DECEMBER 31, 2000

(thousands)

	Note	
REVENUE		
Natural gas sales		$ 1
Cost of gas sold		1
Natural gas sales margin		-
Delivery revenue		16
Interest income		44
Net revenue		60
EXPENSES		
Operating and maintenance		26
Amortization of capital assets	4	4
Total expenses		30
Net earnings and retained earnings, end of period		$ 30

(See accompanying notes)

SWAN VALLEY GAS CORPORATION

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED DECEMBER 31, 2000

(thousands)

	Note	
OPERATING ACTIVITIES		
Net earnings		$ 30
Add (deduct) items not requiring an outlay of cash		
Amortization of capital assets		4
Other non-cash items		(8)
		26
Net change in non-cash working capital related to operations	8	788
Cash provided by operating activities		814
INVESTING ACTIVITIES		
Net additions to capital assets		(4,818)
Increase in capital contributions		4,564
Cash used in investing activities		(254)
FINANCING ACTIVITIES		
Share capital issued		1
CASH POSITION, end of year		$ 561

(See accompanying notes)

SWAN VALLEY GAS CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

1. STATUS OF THE CORPORATION

Swan Valley Gas Corporation (SVGC) was created on November 30, 1999 under The Corporation Act of Manitoba. The corporation was inactive until Feburary 17, 2000 when it became a wholly-owned subsidiary of SaskEnergy Incorporated (SEI). SEI is a Saskatchewan Crown Corporation, and therefore SVGC is not subject to Federal or Provincial income taxes in Canada.

The affairs of SVGC are managed by its Board of Directors and the management of its parent, SEI.

During the year, the Manitoba Public Utilities Board (MPUB) authorized and approved franchise agreements between the SVGC and individual municipalities for the rights of transmission and distribution of natural gas in the Swan Valley region of Manitoba.

SVGC commenced the sale and delivery of natural gas on December 21, 2000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada applied on a consistent basis and include certain estimates based on management's judgment. These estimates affect the reported amounts of assets, liabilities, revenue and expenses. The following accounting policies are considered to be significant:

a. Capital Assets

Capital assets are recorded at cost and include all direct costs plus overhead charges and allowance for interest costs related to financing construction of the related assets.

Amortization expense is calculated on a straight-line basis over the estimated service life of the asset. The amortization rates are as follows (in per cent):

Main Lines	2.50
Pressure Regulation Stations	3.03
Service Lines and Meters	3.45
General Plant	5.00

b. Capital Contributions

Capital contributions relate to construction of new natural gas distribution facilities. These contributions are amortized on a straight-line basis over the estimated service of life of the related asset.

c. Revenue Recognition

Revenue is recognized when natural gas is delivered to customers. An estimate of gas delivered, but not billed, is included in revenue.

d. Regulation

The business activities of SVGC are regulated by the MPUB.

The corporation follows generally accepted accounting principles for its regulated operations which may differ from those otherwise expected in non-regulated businesses. These differences occur when the regulatory agency exercises its statutory authority and renders specific accounting and other rate making decisions. In addition to defining certain accounting requirements, the regulatory agency has jurisdiction over a number of other principal matters, which include but are not limited to, the rates to be charged for the sale and distribution of natural gas and approval and recovery of costs for major construction and operations.

e. Natural Gas Supply

SVGC contracts with SEI and its affiliated corporations for its natural gas supply, transportation and storage requirements. SVGC takes delivery of natural gas at the inlet to its facilities just inside the Manitoba-Saskatchewan border.

3. GAS COST VARIANCE ACCOUNT

The cost of natural gas is recovered from customers based on commodity rates approved by the MPUB. Differences between the approved commodity rates and those costs of natural gas actually incurred are deferred for future disposition subject to approval by the MPUB.

The Gas Cost Variance Account balance at December 31, 2000 includes unrecovered commodity transportation of $8 thousand.

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value
		(thousands)	
Main Lines	$ 3,806	$ 4	$ 3,802
Stations	352	-	352
Service Lines and Meters	275	-	275
General Plant	6	-	6
Construction in Progress	379	-	379
	$ 4,818	$ 4	$ 4,814

5. CAPITAL CONTRIBUTIONS

Capital contributions have been committed from federal, provincial and municipal agencies to assist in the funding of the Swan Valley Gasification Project. In addition, customers are assessed a capital contribution for installation of natural gas service. Capital contributions were as follows (thousands):

Contributions received	
Governments of Canada and Manitoba	$ 1,524
Prairie Farm Rehabilitation Administration	735
Municipal Governments	1,814
Customers	491
	4,564
Contributions amortized	-
Balance end of year	$ 4,564

6. SHARE CAPITAL

Authorized share capital consists of an unlimited number of common shares without nominal or par value. One hundred (100) are issued and outstanding.

7. INTEREST EXPENSE

Interest expense was as follows (thousands):

Interest on short term borrowings	$ 6
Interest capitalized	(6)
	$ -

8. NET CHANGE IN NON-CASH WORKING CAPITAL

	(thousands)
Accounts receivable	$ (2,276)
Accounts payable	3,064
	$ 788

9. RELATED PARTY TRANSACTIONS

Transactions with SEI and its other subsidiary corporations were as follows (thousands):

Interest income	$ 44
Natural gas commodity purchases	16
Operating and maintenance expenses	10
	$ 70

10. COMPARATIVE FIGURES

As this is the Corporation's first period of operations, there are no comparative figures.

SASKENERGY INTERNATIONAL INCORPORATED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2000

AUDITORS' REPORT

To the Shareholder of SaskEnergy International Incorporated

We have audited the consolidated statement of financial position of SaskEnergy International Incorporated as at December 31, 2000 and the consolidated statements of earnings and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Regina, Canada
February 5, 2001

Chartered Accountants

ERNST & YOUNG

SASKENERGY INTERNATIONAL INCORPORATED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

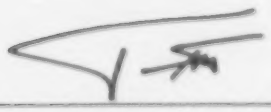
AS AT DECEMBER 31

	Note	2000	1999
		(thousands)	
ASSETS			
CURRENT ASSETS			
Accounts receivable		$ 169	$ 48
LONG TERM INVESTMENT	3	7,464	5,027
		$ 7,633	$ 5,075
LIABILITIES AND SHAREHOLDER'S EQUITY			
CURRENT LIABILITIES			
Bank indebtedness		$ 2,510	$ 1,760
Intercompany accounts payable		169	89
Accounts payable		49	17
TOTAL LIABILITIES		2,728	1,866
SHAREHOLDER'S EQUITY			
Share capital	4	7,377	4,925
Deficit		(2,472)	(1,716)
		4,905	3,209
		$ 7,633	$ 5,075

(See accompanying notes)

On behalf of the Board:

_____, Director



_____, Director

SASKENERGY INTERNATIONAL INCORPORATED

CONSOLIDATED STATEMENT OF LOSS AND DEFICIT

FOR THE YEAR ENDED DECEMBER 31

	2000	1999
	(thousands)	
REVENUE		
Consulting services	$ 209	$ 86
EXPENSES		
Operating	848	753
Interest	117	70
	965	823
Loss	(756)	(737)
Deficit, beginning of year	(1,716)	(979)
Deficit, end of year	$ (2,472)	$ (1,716)

(See accompanying notes)

SASKENERGY INTERNATIONAL INCORPORATED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

	Note	2000	1999
		(thousands)	
OPERATING ACTIVITIES			
Loss		$ (756)	$ (737)
Net change in non-cash working capital related to operations	5	(9)	667
Cash used in operating activities		(765)	(70)
FINANCING ACTIVITIES			
Increase in share capital		2,452	4,924
INVESTING ACTIVITIES			
Increase in investments		(2,437)	(4,927)
INCREASE IN BANK INDEBTEDNESS during year		(750)	(73)
BANK INDEBTEDNESS, beginning of year		(1,760)	(1,687)
BANK INDEBTEDNESS, end of year		$ (2,510)	$ (1,760)

(See accompanying notes)

SASKENERGY INTERNATIONAL INCORPORATED

NOTES TO CONSOLDIATED FINANCIAL STATEMENTS

DECEMBER 31, 2000

1. STATUS OF THE CORPORATION

SaskEnergy International Incorporated (SEII) was incorporated on February 17, 1981 under the **Canada Business Corporations Act**. SEII is a wholly-owned subsidiary of SaskEnergy Incorporated.

SaskEnergy Incorporated is a Saskatchewan Crown corporation, and therefore SEII is not subject to Federal or Provincial income taxes in Canada.

As the Corporation is in the development stage, continuation of the Corporation is dependent upon the continued financial support of SaskEnergy Incorporated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada applied on a consistent basis and include certain estimates based on management's judgment. These estimates affect the reported amounts of assets, liabilities, revenue and expenses.

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, SaskEnergy Chilean Holdings I Ltd. and SaskEnergy Chilean Holdings II Ltd. In addition, the accounts also include the Corporation's 100 per cent interest in SaskEnergy Chilean Holdings Limitada – a Chilean limited partnership.

b. Long term investment

The corporation accounts for its investment in Gas Sur S.A. by the cost method.

3. LONG TERM INVESTMENT

By Order-In-Council 735/1998 dated December 9, 1998, the Corporation received approval to proceed with an investment in Gas Sur S.A., a natural gas distribution company in Chile. To facilitate this investment, the Corporation created two wholly-owned Canadian subsidiaries and a Chilean limited partnership. The Corporation, through the two Canadian subsidiaries and the Chilean limited partnership agreed to purchase a 15 per cent ownership interest (452 shares) in Gas Sur S.A. for $4,800 thousand U.S. The Canadian dollar equivalent of the investment, including acquisition costs, is $7,464 thousand.

In addition, the Corporation has entered into a Technical Advisors Agreement whereby the Corporation will provide technical consulting services to Gas Sur S.A. on a fee for service basis.

4. SHARE CAPITAL

Authorized share capital consists of an unlimited number of Class A common shares without nominal or par value. Issued share capital is as follows:

	Shares	2000	1999
		(thousands)	
Opening Balance	492,452.2	$ 4,925	$ 1
Issued during year	245,280.5	2,452	4,924
	737,732.7	$ 7,377	$ 4,925

5. NET CHANGE IN NON-CASH WORKING CAPITAL

	2000	1999
	(thousands)	
Intercompany accounts	$ 80	$ 875
Accounts payable	32	(204)
Accounts receivable	(121)	(4)
	$ (9)	$ 667

6. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

The carrying values of the Corporation's financial instruments (accounts receivable, intercompany accounts receivable, bank indebtedness, accounts payable and intercompany accounts payable) approximate fair value.

b. Credit risk

There is no concentration of credit risk.

7. RELATED PARTY TRANSACTIONS

Transactions with SaskEnergy Incorporated and its affiliates were as follows:

	2000	1999
	(thousands)	
Operating expenses	$ 104	$ 122

SASKENERGY CHILEAN HOLDINGS I LTD.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2000

AUDITORS' REPORT

To the Shareholders of SaskEnergy Chilean Holdings I Ltd.

We have audited the statement of financial position of SaskEnergy Chilean Holdings I Ltd. as at December 31, 2000 and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Regina, Canada
February 5, 2001

Chartered Accountants

ERNST & YOUNG

SASKENERGY CHILEAN HOLDINGS I LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

	Note	2000	1999
		(thousands)	
ASSETS			
CURRENT ASSETS			
Cash		$ 29	$ 14
LONG TERM INVESTMENT	3	7,347	4,910
		$ 7,376	$ 4,924
LIABILITIES AND SHAREHOLDER'S EQUITY			
MINORITY INTEREST IN LIMITED PARTNERSHIP		$ 7	$ 5
SHAREHOLDER'S EQUITY			
Share capital	4	7,369	4,919
		$ 7,376	$ 4,924

(See accompanying notes)

On behalf of the Board:

_____, Director _____, Director

SASKENERGY CHILEAN HOLDINGS I LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

	2000	1999
	(thousands)	
FINANCING ACTIVITIES		
Proceeds from share issues	$ 2,450	$ 4,919
Minority interest in limited partnership	2	5
	2,452	4,924
INVESTING ACTIVITIES		
Increase in long term investment	(2,437)	(4,910)
	15	14
CASH POSITION, beginning of year	14	-
CASH POSITION, end of year	$ 29	$ 14

Cash position consists of cash and term deposits.

(See accompanying notes)

SASKENERGY CHILEAN HOLDINGS I LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2000

1. STATUS OF THE CORPORATION

SaskEnergy Chilean Holdings I Ltd. was created on August 27, 1996 under the **Canada Business Corporations Act**. The Corporation is a wholly-owned subsidiary of SaskEnergy International Incorporated. SaskEnergy International Incorporated is a wholly-owned subsidiary of a Saskatchewan provincial Crown corporation, and therefore SaskEnergy Chilean Holdings I Ltd. is not subject to Federal or Provincial income taxes in Canada.

The affairs of the Corporation are managed by the Board of Directors and the management of SaskEnergy International Incorporated's parent, SaskEnergy Incorporated.

During the year the Corporation had no revenue or expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

The consolidated financial statements include the accounts of the Corporation and a Chilean limited partnership, SaskEnergy Chilean Holdings Limitada (99.9 per cent ownership interest).

b. Long term investment

The corporation accounts for its investment in Gas Sur S.A. by the cost method.

3. LONG TERM INVESTMENT

By Order-In-Council 735/1998 dated December 9, 1998, the Corporation received approval to proceed with an investment in Gas Sur S.A., a natural gas distribution company in Chile. To facilitate this investment, the Corporation created a Chilean limited partnership in which it holds a 99.9 per cent ownership interest and a related corporation owns a 0.1 per cent ownership interest.

The Corporation, through the Chilean limited partnership, purchased a 15 per cent ownership interest (452 shares) in Gas Sur S.A. for $4,800 thousand U.S. The Canadian dollar equivalent of the investment is $7,347 thousand.

4. SHARE CAPITAL

Authorized share capital consists of an unlimited number of Class A common shares without nominal or par value. Issued share capital is as follows:

	Shares	2000	1999
		(thousands)	
Opening balance	491,860.8	$ 4,919	$ -
Issued during year	245,035.2	2,450	4,919
Closing balance	736,896.0	$ 7,369	$ 4,919

SASKENERGY CHILEAN HOLDINGS II LTD.

FINANCIAL STATEMENTS

DECEMBER 31, 2000

AUDITORS' REPORT

To the Shareholders of SaskEnergy Chilean Holdings II Ltd.

We have audited the statement of financial position of SaskEnergy Chilean Holdings II Ltd. as at December 31, 2000 and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Regina, Canada
February 5, 2001

Chartered Accountants

SASKENERGY CHILEAN HOLDINGS II LTD.

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

	Note	2000	1999
		(thousands)	
ASSETS			
LONG TERM INVESTMENT	3	$ 7	$ 5
SHAREHOLDER'S EQUITY			
SHARE CAPITAL	4	$ 7	$ 5

(See accompanying notes)

On behalf of the Board:

_____, Director

_____, Director

SASKENERGY CHILEAN HOLDINGS II LTD.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

	2000	1999
	(thousands)	
FINANCING ACTIVITIES		
Proceeds from share issues	$ 2	$ 5
INVESTING ACTIVITIES		
Increase in long term investment	2	5
	-	-
CASH POSITION, beginning of year	-	-
CASH POSITION, end of year	$ -	$ -

Cash position consists of cash and term deposits.

(See accompanying notes)

SASKENERGY CHILEAN HOLDINGS II LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2000

1. STATUS OF THE CORPORATION

SaskEnergy Chilean Holdings II Ltd. was created on June 4, 1997 under the **Canada Business Corporations Act**. The Corporation is a wholly-owned subsidiary of SaskEnergy International Incorporated. SaskEnergy International Incorporated is a wholly-owned subsidiary of a Saskatchewan provincial Crown corporation, and therefore SaskEnergy Chilean Holdings II Ltd. is not subject to Federal or Provincial income taxes in Canada.

The affairs of the Corporation are managed by the Board of Directors and the management of SaskEnergy International Incorporated's parent, SaskEnergy Incorporated.

During the year the Corporation had no revenue or expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Long term investment

The Corporation accounts for its investment in the Chilean limited partnership, SaskEnergy Chilean Holdings Limitada, by the cost method (0.1 per cent ownership interest).

3. LONG TERM INVESTMENT

By Order-In-Council 735/1998 dated December 9, 1998, the Corporation's parent received approval to proceed with an investment in Gas Sur S.A., a natural gas distribution company in Chile. To facilitate this investment, the Corporation acquired a 0.1 per cent interest in a Chilean limited partnership with an affiliate holding the remaining interest. The Canadian dollar equivalent of the investment in the limited partnership is $7.4 thousand.

4. SHARE CAPITAL

Authorized share capital consists of an unlimited number of Class A common shares without nominal or par value. Share capital is as follows:

	Shares	2000	1999
		(thousands)	
Opening balance	493.4	$ 5	$ -
Issued during year	245.3	2	5
Closing balance	738.7	$ 7	$ 5

SASKENERGY CHILEAN HOLDINGS LIMITADA

FINANCIAL STATEMENTS

DECEMBER 31, 2000

AUDITORS' REPORT

To the Partners of SaskEnergy Chilean Holdings Limitada

We have audited the statement of financial position of SaskEnergy Chilean Holdings Limitada as at December 31, 2000 and cash flows for the year then ended. These financial statements are the responsibility of the limited partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the limited partnership as at December 31, 2000 and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Regina, Canada
February 5, 2001

Chartered Accountants

SASKENERGY CHILEAN HOLDINGS LIMITADA

STATEMENT OF FINANCIAL POSITION

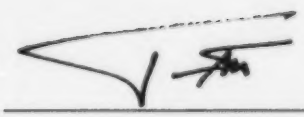
AS AT DECEMBER 31

	Note	2000	1999
		(thousands)	
ASSETS			
CURRENT ASSETS			
Cash		$ -	$ 2
Term deposit		29	12
		29	14
LONG TERM INVESTMENT	3	7,347	4,910
		$ 7,376	$ 4,924
PARTNERSHIP EQUITY			
PARTNERSHIP EQUITY		$ 7,376	$ 4,924

(See accompanying notes)

On behalf of the Partners:

_____, Partner



_____, Partner

SASKENERGY CHILEAN HOLDINGS LIMITADA

STATEMENT OF PARTNERSHIP EQUITY

FOR THE YEAR ENDED DECEMBER 31

	2000	1999
	(thousands)	
PARTNERSHIP EQUITY, beginning of year	$ 4,924	$ -
CONTRIBUTIONS FROM PARTNERS		
SaskEnergy Chilean Holdings I Ltd.	2,450	4,919
SaskEnergy Chilean Holdings II Ltd.	2	5
PARTNERSHIP EQUITY, end of year	$ 7,376	$ 4,924

(See accompanying notes)

SASKENERGY CHILEAN HOLDINGS LIMITADA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

	2000	1999
	(thousands)	
FINANCING ACTIVITIES		
Equity contributions from partners	$ 2,452	$ 4,924
INVESTING ACTIVITIES		
Increase in long term investment	(2,437)	(4,910)
	15	14
CASH POSITION, beginning of year	14	-
CASH POSITION, end of year	$ 29	$ 14

Cash position consists of cash less bank indebtedness

(See accompanying notes)

SASKENERGY CHILEAN HOLDINGS LIMITADA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2000

1. STATUS OF THE LIMITED PARTNERSHIP

SaskEnergy Chilean Holdings Limitada was established on December 16, 1998 as a Chilean limited partnership owned by two Canadian corporations – SaskEnergy Chilean Holdings I Ltd. and SaskEnergy Chilean Holdings II Ltd. The Canadian corporations are wholly owned subsidiaries of SaskEnergy International Incorporated, which in turn is wholly owned by a Saskatchewan Crown corporation – SaskEnergy Incorporated.

SaskEnergy Chilean Holdings I Ltd. and SaskEnergy Chilean Holdings II Ltd. have 99.9 per cent and 0.1 per cent respective ownership interests in the limited partnership.

The affairs of the limited partnership are managed by the Board of Directors and the management of SaskEnergy International Incorporated's parent, SaskEnergy Incorporated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Foreign currency translation

The transactions occurring in the limited partnership are in Chilean pesos and have been translated to Canadian dollars at the rate in effect at the time of the transaction.

b. Investment

The limited partnership accounts for its investment in Gas Sur S.A. by the cost method.

3. LONG TERM INVESTMENT

By Order-In-Council 735/1998 dated December 9, 1998, the limited partnership received approval to proceed with an investment in Gas Sur S.A., a natural gas distribution company in Chile.

The limited partnership agreed to purchase a 15 per cent ownership interest (452 shares) in Gas Sur S.A. for $4,800 thousand U.S. The Canadian dollar equivalent of the investment is $7,347 thousand.